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13 November 1958

# CURRENT INTELLIGENCE WEEKLY SUMMARY



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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

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**T H E   W E E K   I N   B R I E F****PART I****OF IMMEDIATE INTEREST****USSR THREATENS WESTERN POSITION IN BERLIN . . . . . Page 1**

Khrushchev's threat on 10 November to "revise" the international status of Berlin presages a period of mounting tension in Germany during which the USSR will probably take steps to transfer to the East German regime Soviet authority in Berlin derived from quadripartite agreements. A new juridical basis for the presence of Soviet troops in East Germany would be established. These actions would be designed to force the West to deal with the Ulbricht regime in order to maintain Western access to Berlin. Bonn has hinted it might consider severing relations with Moscow if the USSR should abrogate the four-power agreement on Berlin. [REDACTED]

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**MIDDLE EAST DEVELOPMENTS . . . . . Page 3**

King Husayn has used the plane incident to whip up patriotic sentiment for himself. His propaganda may backfire if he presses charges against the UAR in the UN, however, since his plane did not in fact have clearance for its flight. In Iraq the roundup of pro-UAR elements has continued. Israel remains alert to area developments, and new incidents may occur in perennial trouble spots along the Israeli-Syrian border and around the Mount Scopus area of Jerusalem. In the Sudan, the pro-Western government is still reported considering forceful action to curb opposition and subversion if it does not succeed in strengthening its hand by parliamentary means. Area developments have apparently left Nasir depressed and frustrated. [REDACTED]

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**SOVIET POSITION IN GENEVA CONFERENCES . . . . . Page 6**

Moscow continues, after two weeks of negotiations at Geneva on a nuclear test cessation, to maintain its basic insistence on an immediate, permanent, and unconditional agreement. A new Soviet suggestion--designed to appear as a concession to the West--proposes that an agreement on cessation should at least be drafted before discussion of a control system. Moscow apparently has no immediate intention of breaking off the talks. In the talks on measures to prevent surprise attack, chief Soviet delegate Kuznetsov has insisted that this subject is "organically linked" with broader disarmament issues. [REDACTED]

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PART I (continued)

ARGENTINE POLITICAL CRISIS . . . . . Page 7

Argentine President Frondizi's suspension of constitutional guarantees for 30 days on 10 November springs from his determination to push forward his oil policy and to crack down on Peronista and Communist agitation. His action, which was precipitated by the petroleum workers' strike demanding cancellation of government oil development contracts with American firms, increases his dependence on the armed forces. The military backed Frondizi during an abortive coup attempt on 12 November, which was apparently encouraged by the spreading labor unrest.

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PART II

NOTES AND COMMENTS

ALGERIA . . . . . Page 1

Premier de Gaulle's plan to work out a permanent Algerian settlement with the Algerian deputies to be elected to the French National Assembly on 30 November has been undercut by the conspicuous absence of nationalist Moslem and liberal European candidates. The inability and unwillingness of "all political tendencies" to present themselves in the face of indirect French Army and settler opposition and of rebel intimidation may force De Gaulle to seek another mechanism for a settlement.

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TAIWAN STRAIT SITUATION . . . . . Page 2

The Chinese Communists have outlined a massive propaganda campaign to rationalize Peiping's avoidance of hostilities with the United States in the Taiwan Strait area. A Nationalist official has stated that although no "deals" will be made with the Communists by those now in control, certain "fringe elements" might negotiate if by some "remote" event they were brought to power. The military picture is one of outward relative calm, although Peiping continues to maintain strong forces in the strait area.

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POLITICAL CRISIS IN JAPAN . . . . . Page 3

Japanese Prime Minister Kishi's prestige has been damaged and his control of the ruling Liberal-Democratic party possibly weakened by the parliamentary crisis arising from attempts to railroad through the Diet a controversial bill to strengthen police powers. The Socialists are boycotting the Diet, parliamentary deliberations are

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**PART II (continued)**

at a standstill, and there is nationwide opposition to the government's tactics in seeking passage of the bill.

PAKISTAN . . . . . Page 4

The military regime in Pakistan is giving priority to those reform measures which are likely to maintain the popular impression of rapid progress. Enthusiasm over the regime's "clean-up" campaign during the first month of martial law has begun to wane, and the government is under increasing pressure to demonstrate continuing achievement. Political elements, especially in East Pakistan, are planning to resume limited activity.

INDIAN PARLIAMENT FACES CONTROVERSIAL ISSUES . . . . . Page 5 25X1

The session of the Indian Parliament opening on 17 November is likely to be highlighted by discussions of controversial issues on which the Congress party is finding it increasingly difficult to defend itself. In addition to such chronic problems as lagging food production, five-year-plan finances, and party rifts in several key states, government leaders may be challenged on three especially explosive questions--the situation in Communist-governed Kerala State, the linguistic problem in Bombay State, and an old government financial scandal involving V. K. Krishna Menon.

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ELECTIONS SCHEDULED IN NEPAL . . . . . Page 6

King Mahendra has set Nepal's first parliamentary elections in its history for 18 February 1959. Voting for a lower house of 109 members will extend over 45 days. The parliament is to operate under the terms of a new constitution presented on 2 November for the King's approval. If political agitation gets out of hand, however, the King is likely to postpone the elections. There is also to be an upper house appointed by the King.

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RENEWED INFLATION IN SOUTH KOREA . . . . . Page 7

The progress of South Korea's financial stabilization program has been halted by a sudden increase of currency in circulation, resulting in a 6.5-percent rise in the wholesale price index in September and October. Increased bank credits and doubled wages for all government and military personnel are primarily responsible, but poor fiscal operations and unrealistic budget planning also are to blame. Further inflation is probable for the next few months at least.

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**PART II (continued)****SINO-SOVIET BLOC ECONOMIC OFFENSIVE IN INDONESIA . . . . . Page 8**

Indonesia has accepted about \$200,000,000 worth of Sino-Soviet bloc economic aid offers since late 1957. In addition the bloc has agreed to deliver by 1959 at least \$170,000,000 worth of military equipment and has sent at least 270 economic technicians and about 170 military specialists to Indonesia. Indonesian trade with the bloc in 1958 probably will surpass the previous peak level of \$74,000,000 attained in 1955, and significant contracts for future trade apparently are now being concluded.

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**CATHOLICS IN NORTH VIETNAM . . . . . Page 9**

Hanoi's efforts to acquire greater control over its outspoken Catholic minority have vacillated between conciliation and harshness, sometimes leading to armed clashes. The regime's recent expulsion of four of the 20 foreign priests in the country is a move to strengthen the state-sponsored church.

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**OBSERVERS REFUTE PEIPING'S AGRICULTURAL CLAIMS . . . . . Page 10**

Observations of recent visitors to China and Peiping's own policies with respect to food and cloth rationing confirm earlier analyses that Communist China's statements about its "amazing" increases in agricultural production are exaggerated. Although good weather and a massive effort in the countryside undoubtedly brought about substantial increases in most agricultural products this year, most of the regime's claims seem out of touch with reality.

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**THE YUGOSLAV DISPUTE WITH THE SINO-SOVIET BLOC . . . . . Page 11**

Neither side in the dispute between Yugoslavia and the Sino-Soviet bloc appears willing to let mutual recriminations subside. Speculation that a "truce" was on the horizon has not been borne out by events. Basic ideological divergencies outweigh those factors that could lead to an accommodation.

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**UNREST IN RUMANIA . . . . . Page 13**

Additional reports now confirm a resurgence of anti-regime hostility in Rumania during the first six months of 1958, particularly on the part of peasants and industrial workers. This apparently prompted the Rumanian leadership to expand what was to have been a fairly routine crackdown on the party and government bureaucracy.

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**PART II (continued)**

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**USSR SEEKS TO INCREASE EXPORTS TO WESTERN EUROPE . . . . . Page 15**

The USSR, which must augment its foreign-exchange earnings in order to acquire Western equipment with which to enlarge its chemical industry, is finding it increasingly difficult to expand exports to Western Europe. The volume of trade among free world countries this year has been generally lower, but European countries are reluctant to buy more from the USSR at the expense of trade with traditional suppliers. [REDACTED]

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**COMMUNIST CLANDESTINE ACTIVITY IN WEST GERMANY . . . . . Page 16**

Bonn government officials are apprehensive over the inability of the federal police authorities to control Communist underground activities and have used two recent disclosures of Communist operations to illustrate the need for increased security measures for West Germany. While they constitute no immediate threat to the security of the Federal Republic, Communist activities, both espionage and propaganda operations, seem to be on the increase. [REDACTED]

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**FINNISH CABINET UNDER POLITICAL ATTACK . . . . . Page 17**

Finland's two-month-old, five-party coalition government, headed by veteran Social Democrat Karl August Fagerholm, is being attacked by the two opposition parties and is under pressure from the USSR. It is also strongly criticized from within by elements of the Agrarian party, who assert that their party is best able to maintain good relations with the USSR. Fagerholm's fall would probably bring in an Agrarian-led government which would be either a minority cabinet dependent on Communist parliamentary support or a majority government including the Communists. [REDACTED]

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**PART II (continued)****SPANISH SOCIALISTS INCLINING TOWARD JOINT ACTION WITH COMMUNISTS . . . . . Page 18**

Spanish Socialist leaders in exile are under increasing pressure from their followers in Spain to permit collaboration with the Communists in peaceful strikes and demonstrations in order to avoid losing the initiative to the Communists. With benefits of the 1956 wage boosts wiped out by steadily rising living costs, such joint action, particularly with Anarchist party participation, could lead to unprecedented worker agitation in the coming months.

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**PART III****PATTERNS AND PERSPECTIVES****PEIPING'S HARD-LINE FOREIGN POLICY . . . . . Page 1**

Behind Communist China's present foreign policy posture apparently is the belief that an atmosphere of tension at this time will induce peoples of non-Communist countries to exert pressure on their governments in favor of a "wholesale" change in attitude toward recognition of the Peiping regime. The Communists are attempting to exert both political and military pressure on the United States without clashing with American military forces in the Taiwan Strait area; they appear gratified by the trend of international opinion on the issue. They probably will try to keep their foreign policy sufficiently flexible so as not to alienate some of the sympathizers they won in the course of the Taiwan Strait crisis.

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**THE FRENCH PARLIAMENTARY ELECTIONS . . . . . Page 5**

The first National Assembly of the Fifth Republic will be elected on 23 and 30 November under new regulations laid down by Premier de Gaulle. The new voting

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procedures will probably reduce Communist representation, and De Gaulle's refusal to let his name be drawn into the campaign has upset rightist hopes for sweeping the country with a Gaullist "National List." The impact of the elections will be drastically reduced, however, if, as the present trend suggests, the representatives elected in Algeria will not command sufficient respect among the Moslems to be able to negotiate a workable adjustment of the Algerian problem. [REDACTED]

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**NASIR AND THE COMMUNIST PARTIES IN THE UAR . . . . . Page 8**

Nasir this year has initiated legal and administrative measures to control the UAR's Communist parties, which, although illegal, have retained a semiovert status, at least in the Syrian region. For the time being he is avoiding a direct police crackdown, [REDACTED]

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[REDACTED] At the same time, in extending his influence in the Arab states and North Africa, Nasir has accepted political support from local Communists and taken part in the activities of international Communist-front groups. [REDACTED]

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**WESTERN EUROPEAN ATTITUDES TOWARD THE UNITED NATIONS . . . Page 11**

There is genuine concern among Western European powers--particularly those with colonies--over the growing power of what they consider a politically immature voting majority in the UN General Assembly. Nevertheless Western Europeans generally see the United Nations as a permanent feature of international life, useful, among other things, for "educating" the lesser developed countries to their international responsibilities. Most Western European members would like to see the UN economic assistance programs broadened, believing that multilateral aid through the UN best offsets direct Soviet aid. [REDACTED]

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**ANNEX****SINO-SOVIET BLOC ACTIVITIES IN GREECE . . . . . Page 14****SECRET**

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## PART I

OF IMMEDIATE INTEREST

## USSR THREATENS WESTERN POSITION IN BERLIN

Khrushchev's threats on 10 November to "revise" the international status of Berlin presage a period of mounting tension in Germany. During this period the USSR will probably take a series of steps to transfer to the East German regime Soviet authority in Berlin derived from quadripartite agreements. A new juridical basis for the presence of Soviet troops in East Germany would be established.

Khrushchev declared that the Western powers, by violating the "Potsdam Agreement"--notably by sanctioning the remilitarization of West Germany--had forfeited their right to remain in West Berlin, and he indicated that the USSR would hand over its remaining functions to East Germany. He further declared that any attack on East Germany would be considered an attack on the USSR itself. He gave no indication, however, of how or when the USSR planned to hand over its functions. Soviet Foreign Minister Gromyko on 11 November said this would not happen immediately but would not be long delayed. Further, a Soviet Foreign Ministry official informed American Ambassador Thompson that German problems should be dealt with on a step-by-step basis.

The Soviet actions would be designed to enhance East German sovereignty, thus underlining the Soviet contention that there are two Germanies and, by invoking the threat of a blockade, to force the West to deal with the Ulbricht regime. A broader purpose may be to fur-

ther increase world tension with a "western Quemoy" in order to strengthen bloc unity against the common enemy and to block West German attempts to establish normal relations with the East European countries, particularly Poland. Further, the



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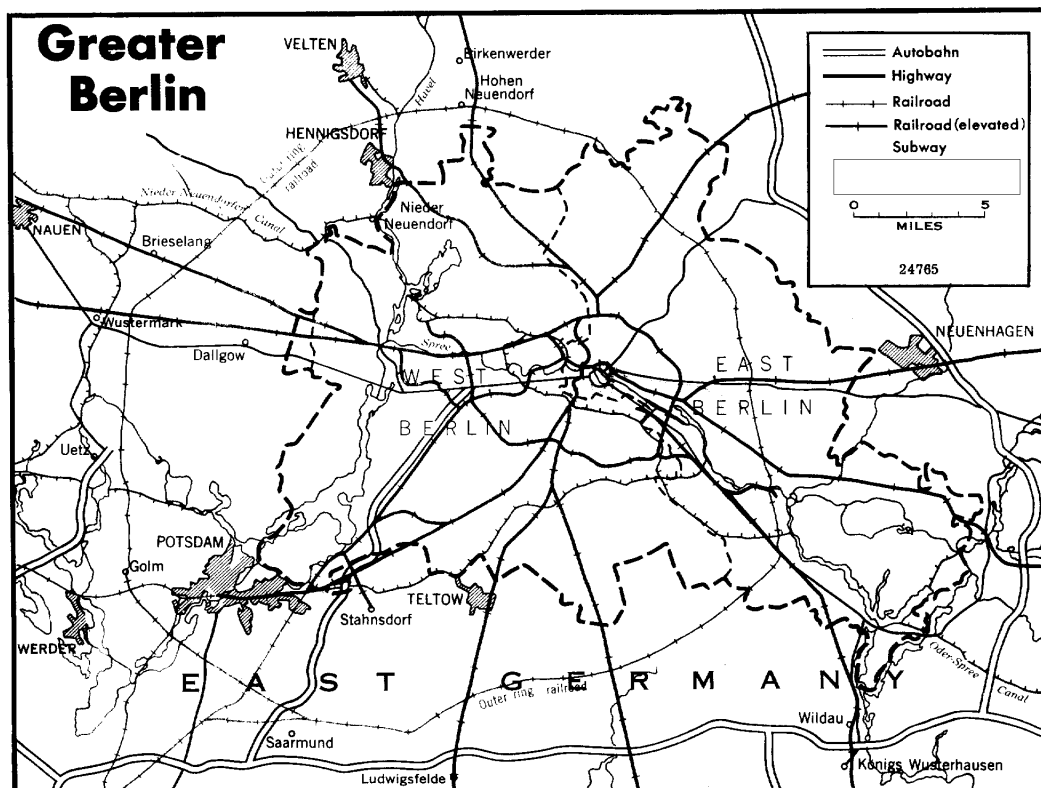
move is designed to undercut forthcoming West German proposals regarding a four-power conference on German reunification.

Moscow's move at this time will strengthen the hand of the Ulbricht regime against popular unrest stemming from the sudden

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change in over-all policy from a "hard line" to one of concessions to certain elements of the populace. As a result of concessions to physicians, industrial workers were considering work slowdowns to pressure the regime into improving their own conditions.

Moreover, the flow of refugees to the West, although somewhat reduced, has continued. During October, more than 19,000 East Germans, including many intellectuals and technicians, fled to the West, approximately 75 percent through West Berlin. A sealing off of West Berlin would thus greatly diminish refugee losses.

In a press conference on 12 November, East German Premier Grotewohl, referring to the possibility of a withdrawal of Soviet troops from Germany, stated that he understood Khrushchev's speech raised such a possibility, "naturally" on the premise that the other powers took the same steps. This suggests that East German officials may depart for Moscow in the near future to negotiate a new agreement along these lines, perhaps after the forthcoming elections of 16 November

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Moscow might transfer its membership in the Berlin Air

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Safety Center to the East Germans, thus confronting the West with a situation in which it would be required either to deal with East German officials or fly without guarantees of safety. However, the East Germans are not now believed to be in a position to exert effective control of flights in the corridor and they apparently do not possess the trained personnel to take over all the Soviet positions at this time.

West German officials believe that Khrushchev's speech is aimed at testing the firmness of the Western resolve to remain in Berlin and at exerting pressure on German public opinion to accept direct political talks with East Germany. French and British foreign affairs officials have strongly rejected any unilateral abrogation of the Potsdam Agreement, and the West German press chief on 12 November hinted that Bonn might consider severing its relations

with Moscow if the USSR abrogated the four-power status of Berlin.

Increased harassment of West Berlin and Allied and West German access to it is now likely. Various measures to inhibit traffic on the lifeline to Berlin could be taken by the USSR or East Germany, and the East Germans could move to seal off West Berlin by imposing border restrictions and halting municipal transport. Although West Berlin municipal officials report that there is no indication of public disquiet in the city, they feel that acceptance of East German control over highway access to Berlin would be an "intolerable situation." British officials in Berlin, however, warn of the danger of a "self-imposed" blockade if the Western powers refuse to accept East German control over access to Berlin.

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**MIDDLE EAST DEVELOPMENTS****Jordan**

King Husayn has used the incident involving his plane to make effective propaganda arousing sympathy and indignation among royalist elements. However, it does not appear that the incident has produced more than a temporary lift. It

seems possible that if Husayn presses charges against the UAR in the United Nations, the result may actually be damaging, since it has been confirmed that clearance for the King's flight was not received from the UAR and that Damascus is thus technically in the right in the matter. UN Secretary General Hammarskjold has strongly

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although authoritarian government would continue.

The roundup of pro-UAR elements is continuing in Iraq. The Baath party, several of whose members have been arrested or dismissed from their jobs, reportedly has decided that its tactic of avoiding active opposition to the Qasim regime is not working out as planned, and has determined to be more active both in criticism of the government's failure to live up to its early promises and in combating Communist-

This map illustrates the Middle East region, highlighting oil fields (black dots), oil refineries (black triangles), oil pipelines (solid lines), and main motor roads (dashed lines). Key locations include Turkey, Iran, Iraq, Syria, Lebanon, Israel, Jordan, Saudi Arabia, Egypt, and Cyprus. Major cities such as Damascus, Baghdad, Jerusalem, and Cairo are marked. The Mediterranean Sea, Red Sea, and Persian Gulf are also labeled. A legend in the bottom right corner defines the symbols used. A scale bar at the bottom indicates distances in miles (0 to 400).

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organized street demonstrations. A clash between Baathist and Communist elements on 10 November seems to have been the first product of the new Baathist line.

Israel

The Israelis have remained alert to developments; they appear to be somewhat relieved that King Husayn's presence in Jordan may stabilize the situation there temporarily. At the same time, however, they are pressing to extend their control over portions of the Israeli-Syrian demilitarized zone and are seeking to ship new arms to their enclave on Mount Scopus, near Jerusalem. Both these issues are perennial sources of trouble, and the Mount Scopus problem in particular could result in a long wrangle with Jordan. It was in connection with an incident near Scopus that a Canadian UN officer was killed earlier this year.

The Israelis are not reported to have taken any large-scale measures in preparation for trouble, but their mobilization cadre appears to have been called up, and reserve vehicles are reported to have been on alert since 7 November.

Sudan

Members of Prime Minister Khalil's pro-Western government are still considering ways and means of curbing UAR-supported

subversion and obstructive opposition tactics when Parliament opens on 17 November. The desire of Khalil to take some kind of forceful action is known in Khartoum, and opposition elements are already accusing Western powers of supporting or inspiring such a move.

The immediate danger which threatens the government on the opening of Parliament is an attack on its acceptance of American economic aid and of British military assistance. Should the opposition be successful in obtaining a rejection of the British arms offer or of the American aid program, new offers in both these fields are likely to be made when a Soviet delegation arrives in Khartoum on 20 November.

UAR

Area developments, especially the possibility of Israeli action against Jordan and the anti-UAR moves inside Iraq, appear to have left Nasir at least temporarily depressed and frustrated. Nasir claims to be convinced that Communists will win out in Iraq, since other elements there are too weak, in his opinion. He continues to believe that the Western powers are constantly working against him in the area, and he is concerned by what he conceives to be further evidence of Western support for Israel. At the same time, Nasir has reiterated his belief that the UAR is not overly committed to

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the Soviet Union economical-  
ly, and he has given the  
impression to American ob-

servers that a further UAR-  
Soviet deal of some kind may  
be upcoming.

**SOVIET POSITION IN GENEVA CONFERENCES**

Moscow continues, after two weeks of negotiations at Geneva on a nuclear test cessation, to maintain its basic insistence on an immediate, permanent, and unconditional agreement. A new Soviet suggestion--designed to appear as a concession to the West--proposes that an agreement on cessation should at least be drafted before discussion of control system. This would be followed by the drafting of provisions "concerning the organization of the control system," including the structure and functions of a control organ and system based on the report of the technical experts prepared last summer, and then by the listing of organizational and other preparatory measures to be taken after signing. The agreement would then be signed.

Thus, while ostensibly meeting the Western objection to the original Soviet agenda proposal, the new proposal would seem to require informal agreement on a draft on cessation of tests before discussion of controls. The Soviet delegation clearly indicated that Moscow envisaged an agreement which would include only a general directive for establishment of a control organ, details of which would be taken up in a separate agreement to be negotiated sometime in the future.

Although the agenda proposal accomplishes little toward breaking the deadlock at the talks, its very issuance may indicate that Moscow is seeking a talking point on which to launch discussion of its own proposal for an unconditional test-cessation agreement. It also shows that the Kremlin probably has no immediate intention of breaking off the talks.

The Soviet delegation was outwardly unruffled by the public announcement by the United States that Russia had continued testing after the 31 October opening session. Moscow both publicly and privately reiterated its 30 October official statement that it would continue tests as long as the West continued to "wreck agreement" for a permanent unconditional test ban.

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At the sixth session, Soviet representative Tsarapkin attacked Western attempts to

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link "the subjective conditions" embodied in President Eisenhower's 22 August statement with any test-cessation agreement. Tsarapkin warned that the Soviet delegation would never acquiesce to any conditional agreement.

In the concurrent Geneva talks on measures to prevent surprise attack, chief Soviet delegate Kuznetsov has insisted that this subject is "organically linked" with broader disarmament issues such as a ban on nuclear weapons, liquidation of foreign bases, and reduction of conventional armaments and forces. Moscow, hoping to use this line to counter what it probably believes will be attractive Western proposals, assigned First Deputy Foreign Minister Kuznetsov, a diplomat of considerable tactical skill and experience, to handle this difficult negotiating task.

At the second session, on 11 November, Kuznetsov insisted that an inspection system not combined with definite disarmament measures would promote rather than hinder the prospects of a surprise attack, since the

system would provide a would-be aggressor with intelligence data of value in launching such an attack.

The remarks of other bloc delegates at the third session support Soviet attempts to inject what are essentially political issues into the technical talks. The Czech delegate expressed concern that the peoples of the world will be disappointed if the talks are limited to technical, "academic" questions of weapons and inspection. He then linked technical problems with policies of "certain great powers" which endanger the peace by such means as flying aircraft laden with nuclear weapons.

The Albanian delegate brought up the Rapacki demilitarization plan, describing it as being "urgent and realistic." Kuznetsov then deprecated Western insistence on separating technical discussions on surprise attack from political considerations as implying that the experts were so naive as to be unaware of the simple facts in this regard.

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**ARGENTINE POLITICAL CRISIS**

Argentine President Frondizi's suspension of constitutional guarantees for 30 days on 11 November springs from his determination to push forward his oil policy and to crack down on Peronista and Communist agitation. His action, which was precipitated by the petroleum workers' strike demanding cancellation of government oil development contracts with American firms, increases his dependence on the armed forces. The

military backed Frondizi during an abortive coup attempt on 12 November, which was apparently encouraged by the spreading labor unrest.

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Gomez' involvement in the plot, as alleged by some reports, is not clear, but both houses of

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Congress were summoned on 13 November to consider impeaching him for refusing to name the plotters. For some weeks Gomez has urged a check on Peronista and Communist agitation, which Frondizi denounced in his 9 November warning to the strikers.

Frondizi's charges that the strike was part of a subversive plan by Communists and Peronistas to create unrest and restore a dictatorship have some basis in fact. The petroleum workers' association is headed by a Peronista and infiltrated by Communists. While the oil workers' strike is essentially political, challenging a key government policy, both Communists and Peronistas have been exploiting high living costs to gain support for their agitation.

Recent Communist agitation has emphasized three major themes attacking the government. On the cost-of-living issue, propaganda has been supplemented with Communist efforts to organize neighborhood protest committees. Communists were active in promoting violence and demonstrations protesting the Frondizi-sponsored

law permitting private universities. They have denounced as a sellout to "imperialism" the government petroleum contracts with Western firms--mostly US--for more than \$400,000,000 worth of goods and services and continuing negotiations for double that amount. They say these are unnecessary in view of bloc offers.

The Soviet offer of last July to supply \$100,000,000 worth of petroleum equipment on credit was formalized in an agreement signed in Moscow on 27 October calling for payment over ten years at 2.5 percent. No specific purchases were mentioned in the contract or have been confirmed by Argentine official sources.

The Peronistas, who along with the Communists backed Frondizi's election last February, declared on 9 November a policy of open opposition to the administration. This will weaken Frondizi's influence among labor and increase his reliance on the armed forces to counter aggressive labor tactics. He seems still firmly in control of the situation, but labor unrest will probably continue.

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PART II

NOTES AND COMMENTS

ALGERIA

Premier de Gaulle's plan to work out a permanent Algerian settlement with the Algerian deputies to be elected to the French National Assembly on 28 November has been undercut by the conspicuous absence of nationalist Moslem and liberal European candidates. The inability and unwillingness of "all political tendencies" to present themselves in the face of indirect French Army and settler opposition and of rebel intimidation may force De Gaulle to seek another mechanism for a settlement.

The vast majority of both 129 Moslem and 68 European candidates on the 52 lists filed before the 9 November deadline profess support for the army and settler line of integration of Algeria with France. The belated entrance of five Socialist lists, which comprise most of the "opposition," was apparently instigated by Socialist party leaders in Paris.

Although the army ostensibly obeyed De Gaulle's order to get out of politics and ensure free elections, the liberal ex-mayor of Algiers, Jacques Chevallier, has charged the army with rigging the elections. A high French civil official admits that the army generals acting as prefects "discouraged," if not actually prohibited, candidates they did not favor.

Ambassador Hoppenot, head of the commission supervising

the elections, expressed "disappointment" to the American consul general on 8 November, stating that the Moslems were afraid of both the army and the Algerian National Liberation Front (FLN). Although he saw no hope of the kind of electoral competition De Gaulle envisaged, Hoppenot ruled out the possibility of postponing the elections. A postponement, he explained, would be violently attacked by the Europeans and would force De Gaulle to explain that the action was necessary because of army and rebel pressure.

De Gaulle, who reportedly was disturbed over the lack of "desirable" candidates, now may have to modify his plan of negotiating with duly elected Algerian representatives. Impending municipal elections may produce a better balanced Moslem representation, but these do not come until April.

As an alternative the premier may attempt new overtures to the FLN, but political considerations in France will force him to avoid any gesture implying recognition of this body as chief spokesman for Algerian Moslems. Contacts reportedly continue with the FLN despite its rejection of De Gaulle's invitation to come to Paris to arrange a cease-fire. In any event, hopes for an early solution for Algeria have dimmed considerably, and the election of "hand-picked" Algerian representatives in the French National Assembly will almost certainly complicate a reasonable solution.

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**TAIWAN STRAIT SITUATION**

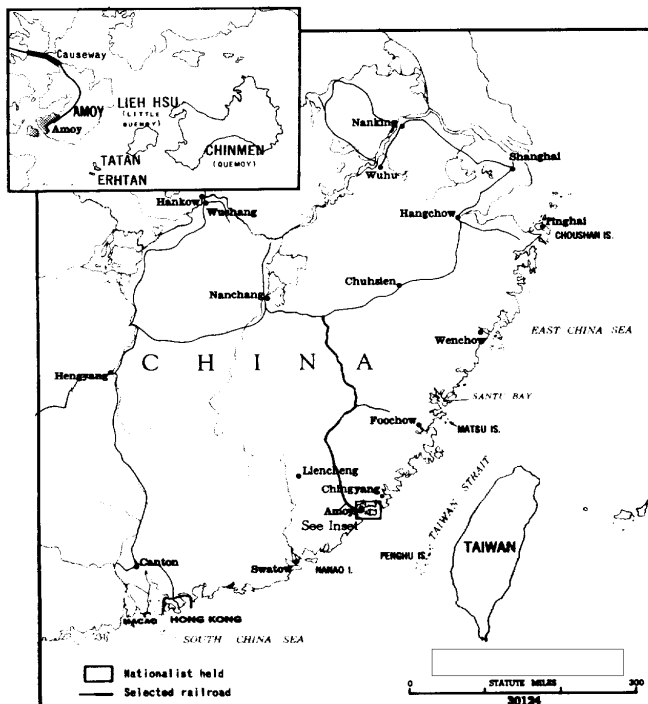
Speaking before the Chinese Communist party's central committee propaganda department on 10 November, Premier and politburo member Chou En-lai outlined a massive propaganda campaign to rationalize Peiping's avoidance of hostilities with the United States in the Taiwan Strait area. Chou linked the "paper tiger" theme with an "explanation" of Peiping's position on the situation, citing a series of events from World War II to the present to "prove" Mao's thesis that imperialist nations are really hollow shells which will inevitably collapse. The Chinese Communists are describing the "paper tiger" theory as "our sharpest ideological weapon in the struggle against imperialism" and are stressing that the demise of the West is inevitable, although it may be some time in coming.

the "remote" event of a coup d'etat or some other event bringing them to power, Nationalist China might conclude such a deal. Chou did not elaborate on the identity of the "fringe elements," and his remarks may have been intended to influence the United States away from adoption of a "two Chinas" policy.

Peiping resumed its warnings to the United States for alleged violations of its 12-mile territorial waters. The "41st serious warning;" issued on 12 November, charged that on 11 November an American C-54 transport "intruded" over the Kwangtung Province coastal area and an F-86D jet fighter "intruded" territorial air space in the Matsu area. This is the first warning since 22 October, when the 39th and 40th were issued.

In a recent conversation with an American official, Chinese Nationalist Vice Foreign Minister Chou Shu-kai said that if forced to choose between acceptance of "two Chinas" and a "deal" with the Chinese Communists, the individuals now "constituting" the Nationalist Government would "of course choose the lesser of two evils--two Chinas."

Chou said, however, that this applied only to the present dominant majority. He thought that some Nationalist "fringe elements" might choose differently, and that in



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No significant developments have been reflected in Communist military activity during the week. Artillery firing on "odd" days has been light and sporadic. The Nationalists on 11 November alleged that a Communist loud-speaker on Amoy had announced that "the cease-fire on even days is hereby abolished. Shelling is possible any day." There was no official comment from Peiping, and Communist guns were silent on 12 November. The Nationalists have withdrawn confirmation of the loud-speaker broadcast, and the Taiwan Defense Command considers it highly unlikely that the broadcast actually occurred as reported.

Further examination of Chinese Communist and Nationalist chemical warfare capabilities has revealed that the Nationalists do not have any capability for manufacturing toxic agents or any facility

for filling CW shells. The US has not given the Nationalists any such munitions since World War II, and the Japanese did not leave any toxic agents on Taiwan when they left the island. The Chinese Communist Army has a small capability to employ CW toxic agents based on a limited manufacturing capability.

Despite continuing bad weather in the Taiwan Strait, the Chinese Nationalists delivered approximately 10,300 tons of supplies to Chinmen between 1 and 10 November and are scheduling an additional 7,000 tons for delivery between 10 and 17 November. The Taiwan Defense Command comments that this is more than double the normal tonnage required. Recent shipments have included heavy equipment, tanks, gun tubes, and heavy maintenance and construction items.

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**POLITICAL CRISIS IN JAPAN**

Japanese Prime Minister Kishi's prestige has been damaged and his control of the ruling Liberal-Democratic party possibly weakened by the parliamentary crisis arising from attempts to railroad through the Diet a controversial bill to strengthen police powers. The Socialists are boycotting the Diet and have stimulated nationwide opposition to the government's admittedly "irregular" tactics in seeking passage of the bill.

Surprisingly strong Socialist opposition, reinforced by nationwide labor walkouts and unusually vitriolic press denunciation of the government's handling of the bill, caught conservative leaders unaware. A subsequent move by the ruling party to extend the special Diet session by questionable

means in order to permit the bill to remain under active consideration only increased criticism of the government.

The Socialists are charging that the bill would restore the prewar "police state" and realize that its passage would severely limit their ability to use mass demonstrations, labor walkouts, and extremist tactics to gain support for their parliamentary position. Conversely, failure of the bill would encourage greater use of such tactics and weaken the government's will and ability to use the powers it now has to curb leftist activities.

Kishi, recognizing his vulnerability, has offered to compromise on some provisions of the bill and to delay its consideration until the regular

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session of the Diet in early December. Socialist leaders, on the other hand, have rejected these offers and insisted that the bill be withdrawn completely. Continued refusal by the Socialists to compromise or resume Diet proceedings, however, might result in loss of public sympathy for their position.

Socialist leaders believe that if the bill can be defeated Kishi will be dealt a serious political blow, and that similar tactics can be used a-

gainst negotiations with the US to revise the security treaty. Leaders within Kishi's own party, including former Prime Minister Ishibashi, are criticizing his handling of the bill and questioning his leadership. While there is no immediate danger of the government's fall, the extent to which the position of Kishi and the conservatives has been jeopardized may be revealed in the elections to the upper house and in a possible challenge to Kishi for the party presidency in the spring of 1959.

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**PAKISTAN**

The military regime in Pakistan under President Ayub is giving priority to those reform measures which are likely to maintain the popular impression of rapid progress made by the new administration to date. Initial enthusiasm over the regime's "clean-up" campaign during the first month of martial law has begun to wane, and the government is under increasing pressure to demonstrate further achievements. Meanwhile, political elements are planning covertly how they might resume some form of limited activity.

Top civil administrators have conceded that the regime's lack of long-range objectives and effective planning is making it difficult to maintain the pace of the "revolution." Ayub is pressing a commission of experts to produce a program for immediate land reform, which he regards as the most urgent problem on the domestic front. The regime has brushed aside warnings that precipitate

action might upset the economy and retard rather than increase food production.

Members of the business community in Karachi are expressing concern over the continuing standstill in commercial activity. Businessmen, who were hit hard by the stringent martial-law regulations and by price controls, have largely suspended operations until the financial outlook becomes clearer. Resultant shortages of commodities and a return to previous price levels have moderated the initially favorable public reaction to the military administration.

Signs of political activity are beginning to reappear, although most politicians are continuing to lie low for fear of arrest. The Moslem League is likely to be the first of the now defunct parties to resume operation, since it is the only political organization which finds some acceptance

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among the armed services. In East Pakistan, where the military regime is likely to encounter more opposition, Moslem League leaders have been meeting to chart out policies for the party to follow, possibly in cooperation with the new government.

Leftist elements have been handicapped by the ar-

rest of key leaders of the National Awami party and the underground Communist party.

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**INDIAN PARLIAMENT FACES CONTROVERSIAL ISSUES**

The session of the Indian Parliament opening on 17 November is likely to be highlighted by discussions of controversial questions on which the Congress party is finding it increasingly difficult to defend itself. In addition to such chronic problems as lagging food production, five-year-plan finances, and party rifts in several key states, government leaders may be challenged on three potentially explosive questions--the situation in Communist-governed Kerala State, the linguistic problem in Bombay State, and a government financial scandal involving V. K. Krishna Menon.

An attempt in September by the non-Communist opposition to raise the question of maladministration in Kerala was ruled out by the speaker. However, this maneuver, which reflected growing criticism of the Communist government's handling of civil disturbances in Kerala, caused a stir in Parliament and put the Communists on the defensive at the national level. Opposition sentiment remains strong as a result of continued strikes and repressive police action in Kerala. The opportunity to publicize Communist difficulties during the coming parliamentary session is almost

certain to be exploited by anti-Communist elements.

Agitation in Bombay State for a division of that region into separate linguistic states is again on the increase, raising the possibility that Parliament will be asked to reconsider the two-year-old legislation which, despite local resistance, established Bombay as a large unilingual state. Prime Minister Nehru, taking note in September of the increasing agitation and deploring the use of violent methods, implied that he would not oppose parliamentary action to amend the 1956 reorganization. Certain elements in the Congress high command are still firmly opposed to a division of the state, however, as indicated by the recent decision of the national executive to unite the separate party branches in Bombay--long organized along linguistic lines--into a single state-wide organization.

Efforts may also be renewed during the coming parliamentary session to discuss reports that Krishna Menon, while serving as India's high commissioner in London in 1951, became involved in a much-publicized scandal over an Indian Government purchase of jeeps in 1951

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**ELECTIONS SCHEDULED IN NEPAL**

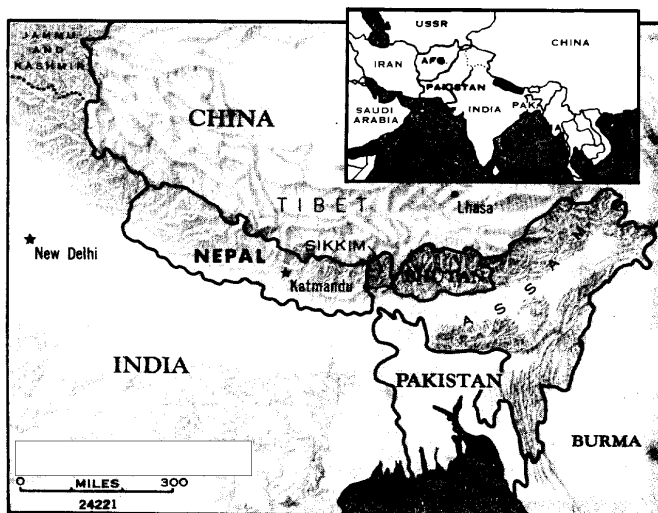
Nepal is scheduled to conduct its first experiment with a popularly elected government-- eight years after the revolution of 1950-51 which was to bring democracy to the country. King Mahendra announced on 9 November that elections to the lower house of a new parliament would begin on 18 February 1959. These elections, for 107 of 109 seats, will extend over 45 days because of Nepal's rugged terrain and the shortage of trained personnel. Elections for the additional two seats, from constituencies in remote western Nepal, will be held later.

25X1 In 1951 a Nepalese revolutionary movement, with some Indian support, deposed a family of hereditary prime ministers which had ruled for a century. Since none of the political parties was able to establish a stable government after the revolution, a series of provisional governments, at times quasi-parliamentary in form and sometimes involving direct rule by the King, have administered the country for the past eight years.

On 1 February 1958, King Mahendra announced a firm five-point program leading to national elections. This program has

proceeded fairly smoothly in its mechanical aspects, and irresponsible political activity has been curbed.

The elections will be held under a new constitution drafted by Nepalese and foreign experts. An upper house will be chosen by the King and his advisers. The prime minister and his cabinet will be responsible to par-



liament. The King presumably will retain ultimate power. He must pass on the constitution, which was presented to him on 2 November, prior to its promulgation.

At present, only the moderate socialist Nepali Congress party, led by former Home Minister B. P. Koirala, seems to have enough strength to win a

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parliamentary majority. Little is known about the following of the Communist party, but it is believed to be strong in some locations. K. I. Singh, former prime minister ousted by Mahendra in November 1957 and now leader of the United Democratic

party, apparently has popular appeal outside Katmandu.

Should political agitation in the next three months become irresponsible or appear to threaten the interests of the King, he is likely to postpone the elections.

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**RENEWED INFLATION IN SOUTH KOREA**

The progress of South Korea's financial stabilization program has been halted by a sudden increase of currency in circulation, resulting in a 6.5-percent rise in the wholesale price index in September and October. Increased bank credits and doubled wages for all government and military personnel are primarily responsible, but poor fiscal operations and unrealistic budget planning are also to blame. Inflation probably will continue for the next few months at least.

The stabilization program, implemented in mid-1957, succeeded for the first time in ten years in rolling back prices, which had risen to more than 230 times their 1947 level. A controlled expansion of currency in circulation--generally effective except for some overexpansion in December 1957--together with increased arrivals of American aid goods and a modest industrial build-up, contributed to the program's success.

South Korean economic officials attempted to limit currency in circulation to \$320,000,000 during 1958. By the end of September, however, this limit had been exceeded by \$12,000,000, with traditional year-

end expansion still to come. Planned increases in bank credits and crop loans, apparent overestimation by government officials of tax revenue, and a drop in aid goods strongly suggest that the deterioration will continue well into 1959.

Minister of Finance Kim Hyon-chol has stated that his government is determined to depress prices by tightening controls on the money supply. The average wholesale price index for the last six months of 1958, however, is threatening to exceed the level at which, according to a South Korean agreement with the United States in September 1955, the exchange rate must be revised.

In late 1957, the South Korean Government was able to control the price level so as not to require a revision of the exchange rate. Conditions this year are far less favorable, and Minister Kim has not outlined his specific intentions for monetary controls. One Korean press report states, however, that Seoul is about to seek a revision of the 1955 agreement to assure that the exchange rate is not altered at the end of this year.

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**SINO-SOVIET BLOC ECONOMIC OFFENSIVE IN INDONESIA**

Since the Sino-Soviet bloc economic drive in Indonesia got under way seriously in late 1957, Djakarta has accepted about \$200,000,000 worth of bloc economic aid offers and, in addition, the bloc has agreed to deliver by 1959 at least \$170,000,000 worth of military equipment. At least 270 bloc economic technicians are now in Indonesia, and about 170 military specialists are assembling bloc equipment and training Indonesians in its use.

and aircraft, but some naval equipment--motor torpedo boats and landing craft--may also have been delivered by Soviet merchant ships. In October four subchasers were turned over to the Indonesian Navy.

The USSR has preferred to have other members of the bloc act as suppliers of these arms. Although Poland and Czechoslovakia extended military credits to Djakarta, some of the equipment purchased under these agreements has been of Soviet origin.

Communist China for its part has facilitated the delivery of aircraft to Indonesia by permitting overflights.

The bloc already has signed \$140,000,000 worth of contracts--65 percent of total bloc economic aid offered Indonesia--to supply a wide range of goods and assistance. Under these credits, Poland and the USSR are supplying 36 ships, China has shipped rice and textiles, and East Germany and Czechoslovakia are constructing a sugar factory

and a tire plant. The USSR, responsible for one half of total bloc economic aid, is making foreign exchange available and is conducting transport and geological surveys.

Communist China continues to be Indonesia's major bloc trading partner, and this trade is expanding. Peiping is supplying rice for the first time--about 20 percent of the 800,000 tons of rice being imported this year. By extending credits,

The bloc is also intensifying a trade drive in Indonesia. Reports indicate that Indonesian trade with the bloc in 1958 will surpass the previous peak level of \$74,000,000 in 1955. Reduced Indonesian economic activity this year will increase the importance of bloc trade.

Bloc arms deliveries are continuing according to schedule. Materiel supplied thus far has consisted mainly of land arms

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Peiping also is assuring itself of an important share of Indonesia's textile market.

Bloc purchases are primarily limited to rubber, Indonesia's major export. During the first half of this year China and the USSR purchased

12 percent of Indonesia's rubber exports, compared with 7 percent in 1957. Communist China and Czechoslovakia alone reportedly have already agreed to buy at least 10 percent of Indonesia's estimated rubber exports in 1958.

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## CATHOLICS IN NORTH VIETNAM

The recent expulsion of four of the 20 foreign Catholic priests in North Vietnam for acts "contrary to law and harmful to security" is the latest move in Hanoi's efforts to control the country's Catholic minority. One of the four, a Canadian, has already arrived in Hong Kong after traveling through Communist China.

The expulsions follow recent efforts by Hanoi to accommodate the Catholics. The state-sponsored "Committee of Patriotic and Peace-loving Catholics" permitted requiem masses and the tolling of bells following the death of Pope Pius XII, and on 30 October extended "greetings" to the new pontiff. This contrasts markedly with the policy of the Chinese Communists, who, except for charging American collusion in the papal election, have remained silent on all recent Vatican developments. North Vietnam, however, with a proportionately larger Catholic minority than China, may have wanted to avoid any action which might provoke opposition requiring harsh repression.

The nearly 400,000 Catholics in North Vietnam appear to be among the most vocal critics of the regime and the most militant in their refusal to conform. There were major outbreaks in Nghe An Province

between Catholics and government troops in 1956 and 1957, and some 2,000 Catholic youths clashed with police last March.

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Hanoi's policy has alternated between conciliation and harsh repression, and it has used both friendly gestures and warnings to discourage antiregime demonstrations. After the army's suppression of a three-day uprising in a Catholic area in November 1956, Hanoi reverted to a particularly conciliatory line. Pro-Communist Catholic leaders and newly formed lay groups were encouraged to hold special services for Catholic "comrades" killed in the war against the French. Cadres were directed to appoint Catholics to village agricultural executive committees and to restore and repair churches "requisitioned" during the land-reform program.

Six months later, however, Hanoi began denouncing individual priests in the press, accusing the church of "political activities prejudicial to the policy of the state and the laws of the country."

Hanoi has sought to promote a "reliable" Vietnamese clergy which could influence the Catholic laity to support the regime, and, in their efforts to promote the "Committee of Patriotic and Peace-loving

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Catholics," the Communists have allowed Catholics a certain amount of freedom. The regime now may feel that the time is ripe to weed out the political liabilities represented by the

few remaining foreign priests and thereby to enhance the effectiveness of the state-sponsored church as a propaganda arm of the government.

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**OBSERVERS REFUTE PEIPING'S AGRICULTURAL CLAIMS**

Observations of recent visitors to China and Peiping's own policies with respect to food and cloth rationing do not bear out Communist China's statements about its "amazing" increases in agricultural production. Although good weather and a massive effort in the countryside undoubtedly brought about substantial increases in most agricultural products this year, most of the regime's claims seem out of touch with reality.

Peiping says this year's grain output will reach 350,-000,000 tons, 90 percent more

than last year and about equal to the combined output of North America, Australia, Africa, and Western Europe. Cotton production, Peiping says, will more than double last year's, thus enabling China to outstrip the United States in this field.

In the past, Peiping's crop "estimates" have been high early in the year--although not as high as this year's claims--and have been subsequently trimmed downward. This year, however, the regime thus far shows no inclination to back down from early predictions, which in some cases are actually being increased. Most of the claims seem to be based on generalizations drawn from particularly favorable results attained from experimental plots. The leaders in Peiping give the inflated statistics the widest publicity. They may be counting on the new commune system, which will almost completely separate the farmer from the results of his labor, to obscure the great disparity between claims and what is actually produced.

**COMMUNIST CHINA'S AGRICULTURAL PRODUCTION**  
(MILLION METRIC TONS)

	1956 PRODUCTION	1957 PRODUCTION	1958 PLAN *	1958 CLAIM
Total grain	182.5	185.0	196.0	350.0
Peanuts	3.3	2.521	3.03	6.0
Rapeseed	.92	.85	1.15	1.35
Soybeans	10.2	10.05	10.44	12.5
Cotton	1.44	1.64	1.75	3.5
Wheat	25.0	27.0	—	39.45
Rice	82.4	84.9	—	160.0
Tobacco	.399	.251	.371	.768
Sugar	.870	.850	—	2.0
Potatoes	21.8	20.3	—	105.0
Draft animals (MILLION HEAD)	87.3	83.5	—	90.22
Hogs (MILLION HEAD)	97.8	144.7	—	248.8

\* Formulated before announcement of "giant leap forward"

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many of the innovations in farm techniques being applied to small experimental plots are impractical and are designed mostly to dramatize potential productivity of the land. [ ]

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[ ] some of the techniques being pushed by the authorities lack scientific planning and may even have harmful effects on the soil in future years. It has become a sort of national game, [ ] to compete for the highest yield on experimental plots which are then projected as nationwide achievements.

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The regime's failure substantially to increase food and cloth rations supports the view that claims are grossly exaggerated. Peiping has had to issue several directives calling for "shock" procurement drives to spur lagging procurement of agricultural goods--steps that scarcely would be necessary if granaries were bulging with surplus crops.

Improved weather conditions, a tremendous effort in water conservancy work, and intensified farming practices this year undoubtedly increased agricultural production substantially, but this no longer satisfies Peiping. Production goals set for next year, for example, if fulfilled, would make China's output of grain and fiber equal to the combined production of the rest of the world. [ ]

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**THE YUGOSLAV DISPUTE WITH THE SINO-SOVIET BLOC**

There has been recent speculation that some restraint would materialize in the dispute between Yugoslavia and the Sino-Soviet bloc. This

feeling, generated largely by Tito's apparently conciliatory remarks in mid-October and the subsequent arrival in Belgrade of a long-postponed delegation

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of Soviet war veterans, has not been borne out. Yugoslav Foreign Secretary Koca Popovic declared on 29 October to Selwyn Lloyd in London that the present hostile Soviet attitude toward Yugoslavia would "last for a protracted period."

Although the participants in the dispute continue to pay lip service to a desire to improve relations, none yet appears willing to let the recriminations subside. Basic ideological divergencies remain and outweigh those factors that could point to a *modus vivendi*. Soviet Premier Khrushchev, in a speech on 10 November, said he would strive to develop friendly relations with Yugoslavia "along the state line" and to continue trade when mutually advantageous. He added, however, that the bloc would wage an "irreconcilable struggle" against Yugoslav "revisionism," and said he believed Yugoslavia's leaders were becoming enemies of the working class.

Attacks of varying intensity against Belgrade's foreign policies continue, and public condemnation of Yugoslav "revisionism" is again prominent in bloc propaganda. Most recently, the Yugoslavs have been sharply condemned in several speeches made by satellite leaders on the 41st anniversary of the Russian revolution. Yugoslav diplomats attending ceremonies in East Berlin, Sofia, and Tirana walked out in protest.

The Yugoslavs have apparently managed to maintain some influence among the satellites. Furthermore, the Yugoslav party's new monthly review, *Socialism*, first published in early October, made it clear that Belgrade had in no way

modified the heretical concepts put forth at the Yugoslav party congress last April, which precipitated the present dispute. Yugoslav party secretary Vukmanovic-Tempo, in an attack particularly on the Chinese, Bulgarian, and Albanian roles in the anti-Yugoslav campaign, on 9 October reaffirmed Belgrade's belief that Yugoslav views on the "development of socialism" will triumph.

Yugoslavia's voluminous contribution to the polemics shows that Belgrade has no intention of ignoring bloc challenges to its position. The Rumanian-Czech party-state declaration of 22 October and an earlier East German - Bulgarian statement have been condemned by the Yugoslavs as efforts to establish a pattern for attacking Yugoslavia. Belgrade has linked these declarations with the Khrushchev-Mao communiqué of last August calling for the eradication of Yugoslav "revisionism."

Albanian attacks on Yugoslav minority policies have recently increased in intensity. Albanian Premier Shehu declared on 26 October that Tirana will attack the "bloody Tito regime" until Albanians in Yugoslavia are granted the "same elementary rights as any other minority in a bourgeois state." The Yugoslavs have countered with accusations that the Albanians are threatening the peace, and Belgrade has sharply attacked them for harassing Yugoslav diplomats in Tirana. Grotewohl's recent attack on Yugoslav policies and Belgrade's sharp rejoinder precipitated a marked deterioration in Yugoslav - East German relations. While these charges appear sufficient to warrant a break in diplomatic

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relations, apparently neither Yugoslavia nor the bloc desires such a development at this time.

Abandoning its customary defensive attitude in the dispute, Yugoslavia has taken the initiative on two issues which could easily expand differences with the bloc. An article in the Yugoslav press has welcomed the granting of the Nobel Prize to Boris Pasternak, who is described as one of the most "significant of living Soviet poets," and as having "great merits in preserving Russian

epic traditions." This attitude reportedly has caused enough concern for Moscow to request Belgrade not to publish Pasternak's book in Yugoslavia.

Belgrade also has attacked the Chinese Communists' commune drive, probably hoping to promote its own system of communes in order to embarrass Peiping. In contrast to the Yugoslav system, the Chinese drive is described by Belgrade's propaganda media as "truly a terror exercised over the Chinese peasantry."

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**UNREST IN RUMANIA**

Additional reports now confirm a resurgence of anti-regime hostility in Rumania during the first six months of 1956, particularly among peasants and industrial workers. This apparently prompted the Rumanian leadership to expand, in late summer and early fall, what was to have been a routine crackdown on the party and government bureaucracy.

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workers in Brasov agitated for increased salaries, improved working and living conditions, and an end to "Stakhanovite" production methods. Regional party and union officials, contrary to usual practice, reportedly went to the factory where the protests had originated and organized meetings for the purpose of bringing the grievances to the attention of regime officials in Bucharest.

When police, presumably acting with the cognizance of the Ministry of Interior, arrested the organizers, the workers reportedly seized the factory buildings, demonstrated in the city square, and called on other workers in Brasov to support their demands. The local police, seriously under strength since many of their units had been sent to the countryside the previous month, were forced to release their prisoners, and security troops and militia from neighboring cities had to be called in to restore order.

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peasants in the region of Brasov last June resisted the efforts of officials of the Ministry of Agriculture to collect wheat. When the officials called in the security police, the peasants burned the wheat and, in some cases, the harvesting machinery. The wealthier peasants and others who had been members of prewar political parties, fearing retaliation, reportedly fled to the surrounding mountains.

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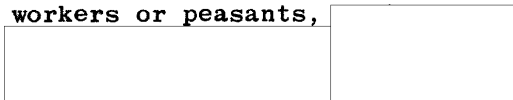
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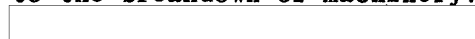
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Popular unrest in the industrial and agricultural sectors has been a continuing problem for the Rumanian regime, and, prior to June of this year, the regime has tended to follow a conciliatory line when faced with unrest or threats from workers or peasants,



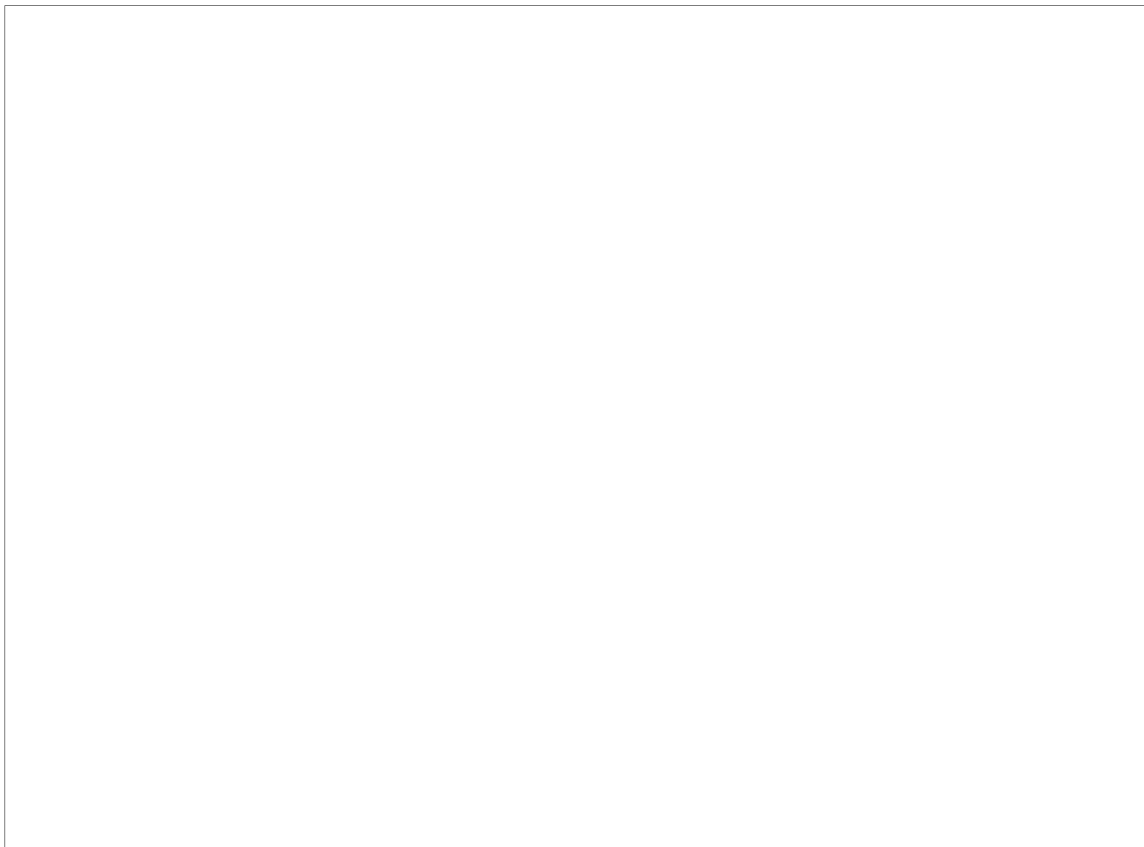
With the continuation of unrest during the first half of this year, however, the Rumanian regime abandoned its equivocal tactics and began cracking down. Thus, the campaign launched at the party plenum in June to reduce corruption and bureaucratic overhead, and to overcome ideological backsliding among party

members and the intelligentsia, was expanded to embrace workers and other potentially dissident elements of the population. Possession of labor cards was made mandatory for purposes of employment, housing, and medical care, and it was decided on 13 August not to hold the long-scheduled congress of trade unions until after the regime's hand could be strengthened by a reorganization of the trade unions. More recently, it has created "factory courts" empowered to impose fines and other punishments, including confiscation of property, for nonfulfillment of production quotas or negligence leading to the breakdown of machinery.



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**USSR SEEKS TO INCREASE EXPORTS TO WESTERN EUROPE**

The USSR, which must augment its foreign-exchange earnings in order to expand its chemical industry with Western equipment, is finding it increasingly difficult to expand exports to Western Europe. The volume of trade among free-world countries this year has been generally lower, but smaller European countries are reluctant to buy more from the USSR at the expense of trade with traditional suppliers. Both Denmark and Italy have asked that Moscow settle its import surplus in convertible currency rather than in Soviet goods, and Belgium has stopped grant-

ing credits under its payments agreement with the USSR, as they had become a means for financing a chronic import surplus by the USSR.

Through polite threats, Moscow is increasingly promoting bilateral trade relations. Western Europe countries often are pressed either to switch imports to the USSR in order to reduce the trade credits they hold there or else to secure new Soviet orders. France, "encouraged" by recent heavy Soviet purchases of French equipment, now may purchase up to 215,000 tons of Soviet wheat.

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The USSR promotes itself as a reliable source of supply and a stable market for goods not influenced by cyclic economic movements.

In its negotiations with the West European countries, the USSR states that while its purchases are expected to grow, it will import from individual countries only to the extent that the supplier buys from the Soviet Union. The USSR has stressed, for example, that Finland must either divert purchases from the West to the USSR in order to balance Moscow's import surplus with Finland, or else suffer a cut in Soviet purchases, an act which would affect the level of employment in Finland. Helsinki, in order to maintain the level of its sales to the USSR, agreed in September to buy Soviet fuels and metals worth \$15,000,000 for stockpiling.

The USSR in August ended inconclusive trade negotiations

with Denmark and extended its previous protocol, [REDACTED]

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To salvage its export trade with the USSR, however, Denmark--faced with agricultural surpluses in which the USSR has indicated an interest--is pressing private oil companies to accept Soviet petroleum.

The USSR must increase its foreign-exchange earnings in order to expand its chemical industry with free-world equipment. This program, announced in May, has already resulted in contracts for more than \$40,000,000 worth of Western plants. Soviet delegations visiting the United States have indicated an interest in purchasing up to \$50,000,000 worth of machinery in the United States alone, but they have hinted that financing might present a problem. [REDACTED]

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**COMMUNIST CLANDESTINE ACTIVITY IN WEST GERMANY**

Bonn government officials have expressed increased apprehension over the inability of the federal police authorities to combat underground Communist activities. Their concern has been aroused by the discovery of a serious case of espionage in the West German armed forces and the recent detection of extensive Communist propaganda activity in the industrialized Rhine-Ruhr area. The volume of Communist propaganda material has increased markedly since the beginning of the year, although the federal police estimate that only about half the illegal literature has been confiscated.

Since the West German Communist party (KPD) was banned

in August 1956, Communist subversive operations have been directed to a greater degree from the East Zone and supported by an estimated \$720,000 to \$960,000 a month. The volume of illegal pamphlets and periodicals is increasing each month. About 345 titles were seized in 1958, and 1,340,000 individual propaganda letters were confiscated from couriers traveling from the East Zone during 1957. About 166 illegal factory newspapers are published in West Germany.

The federal police have arrested 870 Communist agents for distributing illegal literature between August 1956 and August 1958, and about 7,500 preliminary proceedings have

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been started. In a case that has been called the most serious example of Communist infiltration in the West German armed forces, Lieutenant Commander Horst Ludwig and several other agents were recently arrested on the charge of spying for the USSR. In addition, 37 Communists have been seized for underground activities in the Rhine-Ruhr area in the largest police action against the KPD since the party was banned.

Bonn government leaders have used this subversion as justification for increasing security measures. Defense Minister Strauss has called for the creation of a central gov-

ernment agency for psychological defense, the purpose of which would be to control Communist infiltration in the armed forces as well as in political and economic circles. Since the apprehension of the 37 Communists in the Ruhr, Interior Minister Schroeder has called for increased security forces and has proposed a constitutional amendment which would give the Bonn government special powers to deal with national emergencies, including subversive activities in West Germany and aggression from abroad. This proposal, however, has been attacked by the opposition Social Democratic party as too sweeping.

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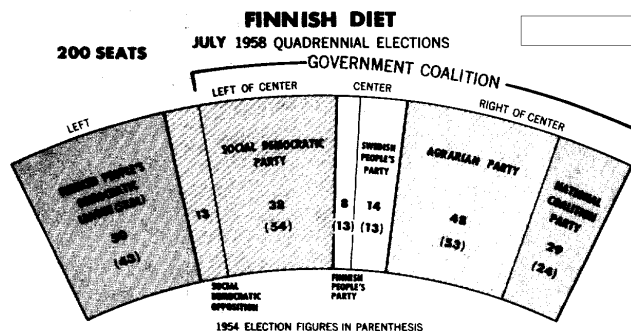
**FINNISH CABINET UNDER POLITICAL ATTACK**

Finland's two-month-old, five-party coalition government, headed by the veteran Social Democrat Karl August Fagerholm, is being attacked by the two opposition parties, and is under pressure from the USSR. It is also strongly criticized from within by elements in the Agrarian party, who assert that their party is best able to maintain good relations with the USSR.

The Communist-front Finnish People's Democratic League (SKDL), resentful of its exclusion from the government after the July parliamentary elections made it the largest party, has openly questioned the sincerity of the government's neutrality policy, while the Soviet press has criticized its "rightist" character. Finland's economic de-

pendence on the USSR and its high unemployment make the country particularly vulnerable to Soviet commercial pressure, and some officials are seriously disturbed that Moscow has ignored a second attempt by the Finns to start talks for a 1959 trade agreement.

The Agrarian party's participation in the cabinet has not prevented the party from denouncing the government's



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domestic policy and criticizing its "ineptitude" in handling relations with the USSR. Both President Kekkonen and the radical element within the Agrarian party are reportedly actively seeking to replace the incumbent cabinet with one more acceptable to the USSR.

Fagerholm's difficulties in keeping his government in power are increased by the feuds within the Social Democratic party and Finland's central trade union organization, the Confederation of Trade Unions (SAK). SAK is controlled by the dissident, anti-government Social Democrats, and in late October the "regular" Social Democrats organized a rival trade union organization. Since the Communists comprise an estimated 40 to 45 percent of SAK's membership, further defections would enable the Communists to play an increasingly decisive role.

A meeting of the Social Democratic party council has

been set for 29 November in one more effort to end the parallel quarrels. Prime Minister Fagerholm has recently conferred with the Social Democratic opposition leaders and the chairman of SAK, presumably in an effort to re-establish unity negotiations, and there are rumors that cabinet posts will be offered the dissident Social Democrats. In his effort to save his government, Fagerholm will also make special efforts to avoid offending the USSR.

Agrarian efforts to unseat Fagerholm, however, are likely to continue. His fall, ostensibly on domestic issues, would result in difficult and long-drawn-out negotiations. Unless new elections are called by the President, the most likely result would be an Agrarian-led government--either a minority cabinet dependent on Communist (SKDL) and opposition Social Democratic parliamentary support, or a majority government including those groups.

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**SPANISH SOCIALISTS INCLINING TOWARD JOINT ACTION WITH COMMUNISTS**

Spanish Socialist leaders in exile in southern France are under increasing pressure from their followers in Spain to permit collaboration with the Communists in peaceful strikes and demonstrations in order to avoid losing the initiative to the Communists. With benefits of the 1956 wage boost wiped out by steadily rising living costs, such joint action, particularly with Anarchist party participation, could lead to unprecedented worker agitation in the coming months.

Socialists in Spain believe that the Spanish Communist party has a big advantage

over the clandestine Socialist and Anarchist parties and labor unions because of its foreign financial support and its clandestine radio station, and because the regime has given the Communists extensive publicity by assailing every popular demonstration as Communist instigated. They feel that Socialist press criticism of the Communists only plays into the hands of Franco.

The Toulouse congress of the Socialist party in exile last August refused to approve a request for collaboration with the Communists. The American Embassy in Madrid nevertheless expects a policy of

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limited rapprochement because of the intensifying economic pressure on the workers. The cost of living in Madrid, for instance, has risen 39.6 percent in less than two years. Recent reports from the American consul in Valencia reveal

considerable sentiment among the Anarchists also for cooperation with the Communists. Collaboration by these three groups, even if limited in scope, could intensify worker protest action over the next six months.

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## PART III

PATTERNS AND PERSPECTIVES

## PEIPING'S HARD-LINE FOREIGN POLICY

The Chinese Communists have adopted a new hard approach to advance their basic foreign policy goals--international acceptance, reduction of US influence on Western governments, and erosion of US authority in the Far East. They apparently expect that an atmosphere of tension at this time will induce peoples of non-Communist countries to exert pressure on their governments in favor of a "wholesale" change in attitude toward recognition of the eight-year-old Peiping regime.

In their current effort, however, the Chinese Communist leaders have not returned to Stalin's policy of relegating all non-Communist countries--including the "noncommitted"--to the sphere of the capitalist, "enemy" camp. Peiping is highly selective in applying its hard tactics.

Moderate tactics apparently now are considered to be useful only after a "struggle" and deadlock. On 8 August, a People's Daily editorial provided a clear summation of this view of foreign affairs when it stated: "Long historical experience has proved it is necessary to struggle resolutely against the imperialist aggressive bloc in order to relax international tensions and safeguard world peace."

The major factors in conditioning the Chinese Communist leaders to this hard-line policy probably were a real sense of irritation with the slow progress of their previous somewhat conciliatory policy, and the conviction that the USSR has raised the bloc to a position of considerable strength, while the US has been subject to considerable criticism from its allies. Peiping tried the hard line in July 1957, when it blasted the

Japanese Government for its requirement that Chinese Communist delegates to a trade fair be fingerprinted; Tsingtao was then closed to Japanese shipping. The Japanese indicated willingness to reconsider the fingerprint issue, Tsingtao was reopened, and Peiping expressed its willingness to discuss repatriation of Japanese nationals and expanded trade.

Policy Toward US

In opening its "struggle" with the US, Peiping apparently worked to prepare a position from which it could exert both political and military pressure on the US without clashing with American military forces. Communist China's demand on 30 June for resumption of the Sino-American ambassadorial talks suspended last December was designed to appear as an "ultimatum" and to create the impression that Peiping was leading from strength. When Premier Chou En-lai stated on 6 September that Peiping "is ready" for talks, the Chinese leaders were almost certainly convinced that as a result of their shelling of Chinmen and the accompanying trend of international opinion, they were in a strong negotiating position vis-a-vis the US.

Chou's willingness to mention the offshore islands as a separate issue from Taiwan was probably intended to be interpreted as a negotiating position, in response to which the Communists apparently expected US concessions. In the meantime they appeared gratified by international criticism of the US position and were encouraged by signs of Nationalist pique with the US.

The use of artillery for the "political struggle" provided

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the Chinese Communist leaders with a "safe" means of probing US intentions regarding the defense of the offshore islands. They obviously did not desire a "big" war and when Peiping concluded that the US would defend the islands, the Chinese Communists began to modify their statements which had implied a direct military challenge to the US. In contrast to the People's Daily warning of 9 September that American convoying would "result in armed clashes with China at any moment," the present line carries no such threats; instead it maintains Communist China's willingness to negotiate "peacefully" and insists that the US voluntarily recognize Peiping's 12-mile limit.

In his cease-fire order of 6 October, Defense Minister Peng Te-huai did not threaten to force the US out of the Taiwan Strait area and stated in relatively mild language that if American forces do not withdraw quickly, "they will always be on the defensive." Subsequent orders by Peng, despite Peiping's improved military capability in the strait area, also failed to specify direct retaliation against US naval vessels, should convoying be resumed.

This line indicates that the Chinese Communist leaders are sensitive to the destructiveness of American nuclear weapons. Prior to and early in the Taiwan Strait crisis, the Chinese Communists tried to create the impression among Western governments--particularly the US--that China cannot be "pushed around" merely because it has no nuclear weapons. Later, however, Mao Tse-tung himself moderated Peiping's challenge to the US, stating in late September that US atomic war threats have alienated more than 90 percent of the "people of the whole world." According to the People's Daily on 30

September, the peoples of the world must shoulder the task of "staying the hands of the US aggressors against China."

The Chinese leaders, who are reported to have become apprehensive that the Nationalists might use US atomic weapons against the mainland, recognize that a nuclear attack on China would wreck Peiping's industrialization program.

The Chinese Communist leaders are also aware that since they possess no effective deterrent to prevent a nuclear attack on the mainland, success of their policy toward the US depends on Soviet support. A People's Daily editorial of late September stated: "We know very well the destructive power of atomic weapons" and declared that any American nuclear attack on the mainland would result in an attack on the US "by the same means." The passage on retaliation was attributed by the editorial to Khrushchev's 19 September letter to President Eisenhower, suggesting that Communist China does not possess nuclear weapons of its own. Mao Tse-tung, Liu Shao-chi, and Chou En-lai have twice in the past month publicly underscored the "powerful support" Moscow has provided in the Taiwan Strait situation--support which has been "very effective" in "forcing the aggressors to think hard about their fate."

Whether Khrushchev was at all reluctant to be a partner in Mao's plan for using artillery to probe US intentions regarding the offshore islands is a conjectural matter. In any case, top Soviet military leaders, including Marshal Malinovsky, are reported to have been conducting military discussions with Chinese military leaders in Peiping at least eight days prior to Khrushchev's arrival there on 31 July.

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Policy Toward Yugoslavia

Peiping's desire to "struggle" with Moscow's opponents as well as its own has made it a major protagonist of Khrushchev's efforts to restore his control over and tighten discipline in the Soviet bloc. In their effort against the Yugoslavs, the Chinese have been moving with the USSR in avoiding a break while attacking Belgrade's revisionism. The tone of their attack, however, had been sharper than that of any bloc party, and the snub last June of the departing Yugoslav ambassador suggests that they do not feel the need for retaining the same degree of flexibility in relations with Belgrade that Khrushchev continues to seek for Moscow.

It is not clear at just what point in mid-1957 Mao decided that his own pronouncements on intrabloc relations should be brought into line with the harder position then being taken by Khrushchev. In any case, by November 1957 Mao's attacks against revisionism were the sharpest of any made by bloc leaders and his statement that the Soviet Communist party, as well as the Soviet state, must lead the bloc was unique among bloc leaders.

The fact that Tito and Gomułka were questioning the hegemony of Moscow was reason enough for Mao to lend his prestige in enforcing it. He was also anxious to put an end to misrepresentations of Chinese Communist statements by Yugoslavs and Poles, who tried to use Peiping as a counterweight to Soviet authority.

The Chinese Communists' first important move against Belgrade was to send only an "observer" to the Yugoslav congress last April in line with the action of the USSR and most of the satellites; Albania com-

pletely boycotted the congress. Their second major move was a sharp attack against Yugoslav revisionism in the 5 May editorial of the People's Daily. Belgrade's 9 May Komunist defense of the party's program interpreted the Chinese attack as a revival of the 1948 resolution which expelled Yugoslavia from the Cominform.

This apparently was not Peiping's intention. The Chinese editorial took Khrushchev's line laid down at the July 1955 plenum in Moscow that while the Cominform resolution was basically correct, the methods used in implementing it, and the 1949 Cominform resolution, were incorrect. Chinese Foreign Minister Chen Yi on 10 May took steps apparently designed to dispel the impression that Peiping's sharp condemnation of Belgrade was political warfare of the Cominform brand or that it would lead to a break in diplomatic relations between the two countries. At the same time he reserved China's right to criticize Yugoslavia on ideological issues. A subsequent Chinese attack stated that criticism should be "political" as well as ideological and depicted Yugoslavia as sustained by US aid and following Washington's foreign policy. A similar picture had been outlined by Khrushchev earlier in April in terms which were less primitive than those used by the Chinese.

Policy Toward US Allies

Peiping is varying its new hard-line approach toward governments which "persist in their unfriendly attitude toward China." With some, it has virtually broken contacts; others it deliberately harasses.

Japan is a prime example of a nation with which Peiping has broken sharply. Despite its tirade of personal abuse including charges of "war

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criminal" directed against Japan's Premier Kishi following his speech on nonrecognition of Communist China last January, Peiping maintained the hope that an exchange of trade missions could be carried out which would be tantamount to de facto recognition. When Premier Kishi stated on 9 April that the Japanese Government could not guarantee the sanctity of the Chinese Communist flag should it be flown over the prospective missions' headquarters, however, Peiping responded with a bombast of hostility culminating in complete rupture of all trade relations.

The Chinese demand for a "wholesale" change of attitude on the part of Kishi is coupled with a demand for a formal "apology"--a position which has hardened even previously sympathetic Japanese businessmen against Communist China. This approach has not influenced Moscow's relations with Tokyo, and there is no evidence to suggest the Chinese Communists are pressing for a tougher Soviet line.

The new look in relations with Western nations--particularly with governments which have supported the US position on such issues as Taiwan and UN membership--has resulted in programs of petty harassment. Such a program is now being conducted against the Dutch Embassy in Peiping, where the Chinese staff went "on strike" in protest against the firing of two coolies. The Dutch, who have been told they are expected to "apologize" for this action, are convinced that Peiping's sharp demands directly from Foreign Minister Lun's public support of Secretary Dulles' statement abjuring the use of force in the Taiwan Strait situation.

The British, too, have had ample opportunity to become injured to periodic "unpleasantness" in Peiping. Premier Chou En-lai had warned last February

that "if Britain did not change its two-faced attitude toward China, Sino-British relations would inevitably be adversely affected." Peiping's pique with London's "two Chinas" declarations has not, however, led to any major strain in Sino-British relations.

Latin American and Middle Eastern countries--the "colonial, underdeveloped" areas--have been approached with moderation by Peiping, despite the Western orientation of some of these governments. Peiping is clearly convinced nationalism and anticolonial sentiment can be exploited to advantage, and it apparently hopes that declining Chinese Nationalist prestige will facilitate the establishment of diplomatic relations. However, Morocco's decision to establish formal relations with the Peiping regime, announced on 31 October, appears to have been facilitated primarily by Soviet efforts in Rabat.

**Policy Toward Neutrals**

"Peaceful coexistence" continues to be the theme which underscores Peiping's relations with neutral Asian nations, which it hopes to make pro-Communist. It is clear that Communist China has not jettisoned coexistence as a guide to foreign relations with regimes which indicate some degree of sympathy for Peiping.

The Chinese Communist leaders' policy of treating Cambodian Premier Sihanouk with considerable deference was rewarded on 22 July when Sihanouk agreed to establish diplomatic relations with Peiping. Sihanouk made his move despite strong fears among many influential Cambodians that the step would intensify Communist subversive activity and jeopardize continuation of American aid. The sharp contrast in the Chinese Communist approach toward

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neutrals and toward the West was made evident by Premier Chou En-lai when he repeatedly stressed China's peaceful intentions toward Cambodia at a time when the Communist shelling of Chinmen was just beginning.

Peiping's relations with such countries as India and Burma, however, have become cool. The Chinese Communist position is primarily conditioned by the attitude of these countries toward international Communism and domestic Communists; Nehru has become more critical and Ne Win is openly antagonistic. The Chinese, who have allowed border issues with both countries to drag on, recently administered a minor diplomatic snub to Nehru during his recent visit to Bhutan via a Tibetan route. Continuing Indian and Burmese support on

the Taiwan issue and on the Soviet bid for a UN seat for Communist China are factors which will prevent Peiping from adopting an openly hostile attitude toward these governments.

Prospects

Peiping will probably try to keep its foreign policy sufficiently flexible so as not to alienate some of the sympathizers it won in the course of the Taiwan Strait crisis. For example, the Chinese leaders apparently believe that they have made gains among UN members, and that these gains might be prejudiced by pressing too hard in the Taiwan Strait situation.

The Chinese Communists will undoubtedly continue a leading role in the bloc's anti-Yugoslav campaign.

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**THE FRENCH PARLIAMENTARY ELECTIONS**

The first National Assembly of the Fifth Republic will be elected on 23 and 30 November under new regulations laid down by Premier de Gaulle, who hopes to secure a clear nonextremist majority with which he can rebuild a strong republican France. The new assembly, like its predecessor, is likely still to suffer from a multiplicity of parties, but under the new electoral system, Communist strength will probably be reduced and the new deputies of the right are likely to be more responsible politically than the extreme rightists of the last legislature.

New Electoral System

The proportional representation system which produced three badly fragmented assemblies under the Fourth Republic has been replaced by the single-member district system characteristic of the Third Republic. A total of 546 seats, including 71 for Algeria and the Sahara, will be filled in November. Those overseas territories which, under the new constitution, choose to maintain their present status or become departments will be represented in the new assembly by their holdover deputies from the Fourth Republic

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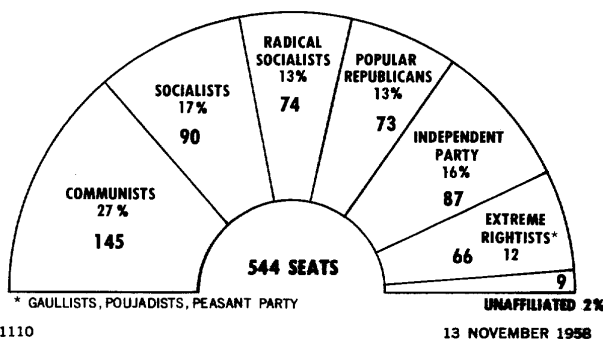
until new elections are scheduled.

On the first ballot--on 23 November--for the 465 seats representing metropolitan France and the 10 allotted the overseas departments (French Guiana, Guadeloupe, Martinique, and Reunion), candidates must receive a majority of the votes cast in their districts to be elected. Practically all the districts are expected to have recourse to a run-off election the following week.

The new electoral law provision covering the 30 November run-offs disqualifies all first-round candidates who fail to receive 5 percent of the votes and forbids the Third Republic's abusive practice of introducing new party-alliance compromise candidates, but it will permit one candidate to withdraw in favor of another. A plurality will be sufficient to win in the second round.

handful of districts with considerably less than this average, and there is some variation on the upper side in densely populated regions. Redistricting has cut representation for rural southern and western France and increased that of the urban and expanding north and east. Gerrymandering has not been a problem, and De Gaulle is reported to have intervened personally to assure fair redistricting in the home areas of two of his bitterest non-Communist enemies--Radical Socialist former Premier Pierre Mendes-France and left-wing Democratic

**OUTGOING FRENCH NATIONAL ASSEMBLY**  
(METROPOLITAN FRANCE ONLY)



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Elections for the 71 Algerian and Saharan seats will be confined to a single vote for multimember lists on 30 November, or, in some isolated areas, on 28 and 29 November. The list system was retained in Algeria to secure representation for the Moslems, who are assured at least two thirds of the seats. European candidates, however, experienced great difficulty in persuading Moslems to present themselves as running mates.

Metropolitan France has been electorally reapportioned on the basis of approximately 93,000 inhabitants per district, although a provision that no department will have fewer than two deputies has produced a

Resistance Union leader Francois Mitterrand.

#### Role of the Parties

Candidates representing all the major parties have filed, although only the Communists and Socialists plan to run in all the districts. Most of the other parties are concentrating their efforts where they have a chance of winning.

The Communists, Socialists, Popular Republicans, Radical Socialists, and Independents are still the major parties. Two new groups have appeared on the left of center--a pro-Gaullist organization known as the Center for Republican Reform

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(CRR) and an umbrella organization including fellow-traveling and non-Communist anti-Gaullist groups called the Union of Democratic Forces (UDF). On the right of center, two parties have virtually disappeared--the former Gaullist Social Republican Group (GRS) and Poujade's Union for French Fraternity (UFF). In their place are two new rightist parties--the Soustelle-inspired pro-Gaullist Union for a New Republic (UNR) and the smaller Renovation and Fidelity group, which is apparently organized only in the Paris area.

In general, elections conducted on the basis of a single-member constituency rather than on the list system emphasize local issues and personalities and tend to weaken party discipline. Thus, the changed electoral system reduces the local influence of the highly centralized parties--the Communists, Socialists, and Popular Republicans--and favors the looser knit, more individualistic Radical Socialists and Independents. Parties with large numbers of popular mayors and departmental councilors, particularly the Socialists and Independents, are expected to benefit. Political strongholds, such as those of the Popular Republicans on the eastern and western frontiers of the country and of the Radical Socialists in the southwest, will probably survive.

The new law is expected to reduce the number of deputies from the Communist party, which, under proportional representation, won numerous seats in departments where it was strong but lacked a majority. The assumption is that the non-Communist parties will unite on the second ballot to block the election of a strong Communist contender, even though the Communist party retains much of its former popular support. However, while many Communist

voters disobeyed party instructions in the constitutional referendum, they may not do so in an election where the choice again involves traditional parties.

De Gaulle's Position

All the parties except the Communist and the Union of Democratic Forces claim to be pro-Gaullist, but Premier de Gaulle himself has refused to let his name be drawn into the campaign or to allow any members of his cabinet who are candidates to campaign outside their own districts. These limitations particularly affect Information Minister Jacques Soustelle, who had favored a system of voting by lists in large districts on a winner-take-all basis and who counted on sweeping the field with a Gaullist "National List" of rightist candidates in each district.

Since De Gaulle's accession to power, a new interest in politics has appeared among many former nonvoters. The heavy registration of new voters of all ages which preceded the September constitutional referendum is expected to carry over and produce a heavy turnout in the assembly elections. Soustelle's Union for a New Republic and its allies expect to benefit from this phenomenon.

Algeria and economic problems are virtually the only issues on which party platforms differ to any degree. In general, the parties to the left of center favor a negotiated political settlement in Algeria and emphasize the need for greater economic benefits for all French citizens. The rightist parties, on the other hand, call for reduced governmental intervention in economic affairs and repeat their demands for integration of Algeria with France. De Gaulle apparently hopes to secure a parliament

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whose members will continue to represent traditional French rightist and leftist tendencies, but who will be amenable to the "arbitration" which he, as first president of the Fifth Republic, would exercise.

The significance of these elections will be greatly reduced, however, if De Gaulle's plans for a relatively free

campaign in Algeria do not succeed. Because of the unwillingness of influential Moslems and liberal Europeans to run for election, the premier may be unable to achieve his hope of negotiating a meaningful settlement without the politically dangerous necessity of recognizing the Algerian Liberation Front as spokesman for Algeria.

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**NASIR AND THE COMMUNIST PARTIES IN THE UAR****Techniques With the Communists**

Although the Communist parties in the UAR are illegal, President Nasir tolerates their existence. His efforts are concentrated on limiting their strength and preventing them from establishing centers of power from which they could pose a serious threat. Nasir's aim is to ensure the impotence of the Communist parties in Egypt and Syria while he uses his "alliances" with Communist countries for international advantages.

To further his Arab "liberation" movement and extend his influence throughout the Arab world and Africa, Nasir accepts propaganda backing from the Communist parties and takes part in the activities of such organizations as the Afro-Asian Solidarity Committee and its subgroups, in which bloc nationals and individual local Communists play a major role. He appears confident that he can use the local parties in this way without the risk of increasing their influence inside the UAR itself.

While Nasir has resorted to police action against the Communist party of Egypt sev-

eral times in the past, he now seems to feel he can contain domestic Communism through administrative action. However, he has removed Communists from leading positions in the government of the Egyptian region.

Within the past few months Nasir has taken steps to strengthen his control over the labor union movement and to safeguard it against Communist penetration.

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Neither the Communist party of Egypt nor the party in Syria --which is structurally part of the Communist party of Syria and Lebanon--is an immediate threat to the regime. Of the two parties, the Syrian has the more dangerous potential.

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**Communist Party in Syria**

With some 12,000 members, the Communist party in Syria is proportionately larger than that in Egypt; it has a better leader in the militant,

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influential Khalid Bakdash; and it has shown a greater degree of unity and discipline. Prior to the formation of the United Arab Republic last February, party members had considerable success in penetrating the officer corps of the Syrian Army, some departments of the government, and a number of labor unions.

Concern over the extent of Communist penetration was a major factor in the decision of the top Syrian leadership to seek union with Egypt on Nasir's terms; it may even have prompted Nasir to speed up his own plans for union. After the establishment of the UAR, Colonel Abd

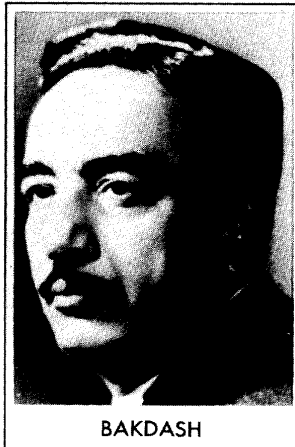


SARRAJ

al-Hamid Sarraj, former chief of the Syrian security forces and one of the most competent and forceful Syrian Army officers, was named minister of the interior for the Syrian region. He is doing an effective job in displacing known Communists from influential positions and in keeping track of the activities of party leaders.

Bakdash, who was deputy in the former Syrian parliament, returned to Damascus on 5 October after eight months in the Soviet bloc. During his "voluntary exile," he reiterated his opposition to "antidemocratic"

measures taken by the UAR under the guise of Arab unity and to proposals to dissolve the Communist party. His return, undoubtedly sanctioned by Moscow, may spur new efforts to step up Communist activity in Syria. A Kurd, he has a strong following among Damascus' Kurdish



BAKDASH

minority, and his return may bring increased Communist efforts to woo Middle Eastern Kurds. It is not yet clear what role he will play in the party, or if he will direct a line of all-out opposition to governmental policy.

**Egyptian Communist Party**

The Communist party in Egypt has an estimated membership of roughly 14,000. Its greatest success has been among students and intelligentsia. Proportionately, it has had more members among minority groups in the population than among the Egyptians themselves. It has always been divided into factions, merging from time to time and then splitting off into new ones. In late 1957 and early 1958, a series of mergers brought the party as close to organizational unity as it had been in years. Ideologically it has remained a strange assortment of Stalin-type Marxists, Khrushchevities, Tito-ists,

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Mao-ists, pan-Arab Communists, and Egyptians who give a mystical twist of their own to the Marxist line.

The Egyptian party is again rent with dissension. One wing of the party wants to take the safer course of continuing support for most of Nasir's policies; the other wants to break with united-front activity and launch a full-scale attack on his policies, focusing on economic and labor issues. One wing has accused the other of stealing its main clandestine printing press; defections and expulsions from the party leadership are taking place.

#### Labor Unions

Communist party leaders in both regions of the UAR have been dismayed by Nasir's present program for control of the labor union movement. They have had little success with the union movement since Nasir came to power in 1954, and they see an effective roadblock being erected against their attempts to gain control of precisely those mass organizations which should be susceptible to their influence and particularly useful as a lever for gaining power.

Two recent measures taken by Nasir reduce even further the opportunities for Communist control of labor. These apply to both the Egyptian and Syrian regions, although now they are being implemented only in Egypt. Enforcement in Syria presumably will wait until political practices and institutions there are brought into closer line with those in Egypt.

The first measure--a law which became effective on 3

April 1958--requires that all candidates for trade union boards be members of the National Union--Nasir's "single party" and main instrument of political control--in which Communists are prohibited membership. The law provides the legal justification for Nasir's labor czar, Major Tuaymah, to screen nominations for leadership posts in the union movement and to disqualify those who do not "fulfill all the conditions required of candidates."

Nasir's second recent measure is a sweeping program for reorganization of the labor movement under a new control apparatus which will reach down into the individual factories. It calls for the creation of labor committees and executive boards at the plant, district, area, and regional levels to supervise and control all union activity and to carry out the labor policies determined by the regime. Ostensibly the leaders of these boards and committees will represent all factory workers who are members of the National Union. Actually, the leaders will be hand-picked or carefully screened by Tuaymah and other National Union executives.

If Nasir's labor program is implemented in its present form, the UAR Government's control of the union movement will be nearly as complete as is the Soviet Government's control over its unions. In effect, Nasir is borrowing from the Soviet Union a tested mechanism to use not only against all tendencies toward independent action by the unions, but also--and especially--against expansion attempts of the local Communist parties themselves.

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**WESTERN EUROPEAN ATTITUDES TOWARD THE UNITED NATIONS**

There is genuine concern among Western European powers --particularly those with colonies--over the growing power of what they consider an irresponsible and politically immature voting majority in the UN General Assembly. Nevertheless, Western Europeans generally see the United Nations as a permanent feature of international life, useful, among other things, for "educating" the lesser developed countries to their international responsibilities. Most Western European members would like to see the UN economic assistance programs broadened, believing that multilateral aid through the UN best offsets direct Soviet aid.

**General Assembly's Power**

The gradual assumption by the General Assembly of jurisdiction, at the expense of the Security Council, over issues involving international peace and security has created a dilemma for the West, which is caught between the Soviet veto in the Security Council and the Asian-African majority in the General Assembly. Because the United States originated the 1950 "uniting for peace" resolution as a way around the USSR's abuse of the veto, some Western European countries tend to blame the US when their national interests are affected by assembly consideration of such issues as Suez. The 1950 resolution, which empowered the General Assembly to act on questions involving international peace and security when the Security Council is paralyzed by the veto, was considered illegal by the USSR when it was invoked on the Hungarian question, but the USSR acquiesced in its use during the Suez and the recent Lebanese and Jordanian crises.

Since 1950, the Asian-African bloc in the UN has in-

creased from 28 percent of total membership to 35 percent. Even combined with the nine votes of the Soviet bloc, the Asian-Africans do not possess a majority, but their votes alone are sufficient to prevent assembly action in the many cases requiring a two-thirds majority.

In addition, the practice among Asian-African countries of abstaining en masse on certain East-West issues, such as disarmament, seriously harms the West's public propaganda position by cutting down the number of affirmative votes. On 4 November, for example, the General Assembly approved the West's position on controlled nuclear-test suspension with only 50 affirmative votes, compared with last year's

**MEMBERS OF UN SECURITY COUNCIL  
1958-59**

<b>PERMANENT</b>	<b>NONPERMANENT</b>
CHINA	CANADA
FRANCE	COLOMBIA ARGENTINA ASSUMES SEAT 1 JANUARY 1959
SOVIET UNION	IRAQ TUNISIA ASSUMES SEAT 1 JANUARY 1959
UNITED KINGDOM	JAPAN
UNITED STATES	PANAMA
	SWEDEN ITALY ASSUMES SEAT 1 JANUARY 1959

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vote of 57 in support of the West. The bulk of the 22 abstentions this year came from the Asian-African bloc.

**Colonial Issues**

On many issues which raise aspects of "colonialism" or involve huge outlays of money from the West for economic development programs, the Asian-Africans attract substantial support from the 20-member Latin American group. This has been a problem, particularly for the West

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European colonial powers--Belgium, Britain, France, Italy, the Netherlands, Portugal, and Spain. The great majority of colonial items considered by the UN are individually not major political problems, but stem from a mass of information voluntarily submitted by the metropolitan powers on the trust territories and the non-self-governing areas they administer. In addition, the Asian-African bloc, supported

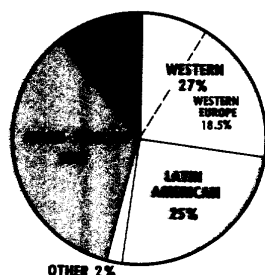
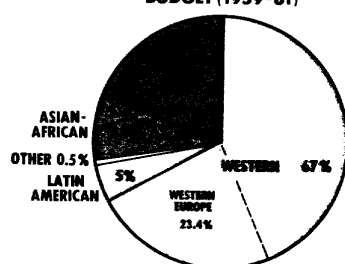
by the Soviet and Latin American blocs, has raised in the UN other colonial issues such as Cyprus, Algeria, and West New Guinea, to such an extent that some administering powers have even threatened to leave the organization.

UN members generally agree that the charter looks toward the attainment of self-government by dependent areas, but there is sharp conflict between

the administering powers and others over the method and speed with which the charter's objectives are to be achieved. moreover, differences of opinion exist over which areas are to be considered non-self-governing, notably between Portugal and the anticolonials. The latter do not accept Lisbon's view that its overseas territories are provinces of metropolitan Portugal and continue their attacks on Portugal in the UN.

**COMPOSITION OF UN GENERAL ASSEMBLY**

91 MEMBERS

**BY VOTING BLOC****BY CONTRIBUTION TO BUDGET (1959-61)****VOTING BLOCS****ASIAN-AFRICAN**

Afghanistan  
Burma  
Cambodia  
Ceylon  
Ethiopia  
Ghana  
India  
Indonesia  
Iran  
Iraq  
Japan  
Jordan  
Laos  
Lebanon  
Liberia  
Libya  
Malaya  
Morocco  
Nepal  
Pakistan  
Philippines  
Saudi Arabia  
Sudan  
Thailand  
Tunisia  
Turkey  
United Arab Republic  
Yemen

**WESTERN**

Australia  
Austria  
Belgium  
Canada  
China  
Denmark  
Finland  
France  
Greece  
Iceland  
Ireland  
Italy  
Luxembourg  
Netherlands  
New Zealand  
Norway  
Portugal  
Spain  
Sweden  
Union of South Africa  
United Kingdom  
United States

**OTHER**

Israel  
Yugoslavia

**LATIN AMERICAN**

Argentina  
Bolivia  
Brazil  
Chile  
Colombia  
Costa Rica  
Cuba  
Dominican Republic  
Ecuador  
El Salvador  
Guatemala  
Haiti  
Honduras  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
Uruguay  
Venezuela

**SOVIET**

Albania  
Belorussia  
Bulgaria  
Czechoslovakia  
Hungary  
Poland  
Rumania  
Soviet Union  
Ukraine

**UN Economic Aid**

Despite the attendant imbalance in voting blocs, Western European members are convinced that admitting the newly emerging nations of Africa to the UN is the only means of "educating" them to their responsibilities in the world community. However, because such new members, for the most part, are not economically viable, their addition to the already large group of underdeveloped member nations creates more serious financial differences between the "haves"

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and the "have-nots" in the UN.

Western European members constitute 18.5 percent of total UN membership but contribute 23.4 percent of the total UN budget. In addition, their support is vital to the various UN economic development and technical assistance programs, of which countries in Asia and Africa are the main recipients. Recent surveys reveal that Western Europeans generally would like to see the UN economic aid programs enlarged, despite the tendency of the "have-nots to bite the hand that feeds them."

Western European governments believe that multilateral

aid programs through the UN are one of the best means of countering Soviet bilateral aid projects. They also believe that UN programs would be better because they feel that American aid too often involves military commitments for the recipient.

Despite the disadvantages they encounter in the UN, Western European members will continue to support the organization. Many of these countries are even now studying means of increasing the UN's effectiveness in peace and security operations through establishment of a permanent stand-by peace force.

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**ANNEX****SINO-SOVIET BLOC ACTIVITIES IN GREECE**

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**1. General Bloc Policy:**

The bloc is trying to induce a gradual drift in Greece toward closer economic ties with the Communist world and to reduce Greek bilateral and NATO ties with the West. Moscow would like to see on the periphery of the bloc a "positive neutralist" Greek Government that is anti-Western, intensely nationalist, and willing to entertain closer all-round relations with the bloc.

**2. Local Communists and**

sympathizers recurrently warn of the dire consequences that could result from establishment of foreign rocket and missile bases on Greek territory. Soviet leaders continue to support the 1957 Rumanian proposal that Greece join with the southern satellites, Turkey, and Yugoslavia in a heads-of-state conference pointing toward a regional nonaggression pact. In May, Khrushchev recommended the Rumanian plan, which had been rejected by Greece, and asserted that Greece "can and must take an important part in this noble cause."

**3. Despite satellite pro-**

fessions of a desire for rapprochement, long-standing problems continue to aggravate relations. Bulgaria has adamantly refused to honor its war reparations debt to Greece, which amounts to \$45,000,000 at 1938 exchange rates. Recent Rumanian actions in expelling Greek nationals were not well received by the press in Athens.

**4. The USSR plays the ma-**

ajor role in bloc efforts to draw Greece into closer relations. Among the satellites, Czechoslovakia has been most active in the economic field. Bulgaria's

effectiveness is hampered by the tremendous antipathy felt by the Greeks for the Bulgars.

**5. Diplomatic Activity:**

Greece has diplomatic relations with the USSR, Bulgaria, Rumania, Hungary, and Czechoslovakia, all of which maintain missions in Athens. The presence of an unauthorized but very active Bulgarian trade mission in Salonika aggravated the deteriorating Greek-Bulgarian relations during the last six months. In August, Athens again rejected Czechoslovakia's request for a consulate in Salonika in order not to set a precedent that would open northern Greece to bloc representation. A Greek Foreign Ministry official stated in July that Greece was not now actively considering a resumption of relations with Albania.

**6. Economic Activity: Eco-**

nomic relations continue to be confined mainly to trade, but Soviet spokesmen have often hinted, both openly and covertly, that aid would be forthcoming if Greece asked for it.

**7. Greek trade with the**

bloc in the first four months of 1958 continued above the 1957 level of \$54,600,000. Trade during the four months of 1958 totaled \$22,400,000 as compared with \$19,300,000 in the similar period last year. Trade with the USSR, Athens' major bloc trading partner, accounted for 40 percent of Greece's bloc trade in 1957, and a three-year Greek-Soviet trade agreement signed in July calls for annual increases. Exchanges with the bloc amounted to only 7 percent of total Greek foreign trade in 1957, but the bloc supplied 17 percent of Greek POL imports.

**8. The increase in Greek**

trade with the bloc results primarily from Greece's need to find outlets for its agricultural

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commodity surpluses. The USSR recently offered to barter crude oil for surplus tobacco in a spot exploitation designed to capitalize on an immediate Greek problem of selling large stocks of tobacco.

9. Prolonged Soviet civil air negotiations with Greece, an important step for any future expansion of bloc services to Egypt and the Near East, are now dormant. Rumania and Poland continue to fly into Athens on regular schedules tightly controlled by the Greek Government, which authorizes them only for periods of four to six weeks at a time.

10. Cultural and Propaganda Activities: The USSR is in the forefront of bloc cultural and propaganda efforts, and the Soviet Embassy was a focal point for widespread dissemination of printed propaganda until a recent Greek law banned such activity. Bulgaria, Czechoslovakia, and Communist China all receive propaganda support within Greece from bilateral friendship and cultural societies.

11. The level of delegation exchanges between Greece and the bloc continued to rise in the first half of 1958 and totaled 61 as compared to 30 during a similar period in 1957. In September the Soviet ambassador renewed Moscow's invitation to Greek Premier Karamanlis to visit the USSR. Most delegation exchanges in 1958 have been cultural. The first Greek delegation to visit Communist China was a parliamentary group in September.

12. The bloc's weekly Greek-language broadcast output amounts to 65-70 hours per week--14 of which are from Soviet transmitters. In March a quasi-clandestine program called the "Voice of Truth" began broadcasting 25 minutes daily [redacted]

It is strongly anti-Greek Gov-

ernment and anti-American, and the transmitter is operated on behalf of the illegal Greek Communist party.

13. Subversive Activity: The Communist Party of Greece (KKE), which was declared illegal in 1947, has its headquarters in Bucharest, Rumania. Since 1949, it has sponsored a legal front party, the United Democratic Left (EDA), representing the extreme left in Greek politics. The KKE in Bucharest supports the illegal Communist organization working within Greece. 25X1

[redacted] The EDA, however, has carefully kept itself apart from the KKE, which is popularly associated with bitter memories of the civil war. 25X1

14. In the May national elections, the EDA, running for the first time since 1952 as a single party rather than in a coalition, received 24.4 percent of the popular vote, thus gaining the second largest representation in the Greek Parliament with 79 of the 300 deputies. This sharp increase over its previous polling of about 10 percent of the vote in 1952 apparently included a large protest vote against the policies of the government and center parties. EDA's strength is concentrated in the large urban areas, particularly Athens, Piraeus, and Salonika, and in the tobacco-processing districts of Macedonia.

15. The EDA waged a moderate campaign in May and this, together with its advocacy of economic reforms, has given it a new respectability. The EDA may now be able to create the fiction of a "popular front" by splitting parliamentary membership into several "independent" parties, a process which appears to have actually started in September with the formation of a "Democratic Union" and of

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an agricultural movement from among its deputies.

16. Greek Communists are attempting to secure legalization of the party and an amnesty for party members. In the longer run they want to create a strong nationwide party of workers, farmers, and middle-class elements. Communist campaigns in the last year have played heavily on latent Greek fears of involvement in a nuclear war and have been largely devoted, with some success, to creating strong opposition to the establishment of American intermediate-range missile bases in Greece. The Communists have been aided by the continuing Cyprus controversy, which tends to alienate Greece from Turkey and Britain and to a lesser degree from the United States. They further appeal to the strong sense of Greek nationalism by denouncing extraterritorial rights granted to American servicemen and demanding abrogation of existing agreements granting base rights in Greece to the United States.

17. Communist labor policy has been to capture non-Communist unions from within rather than setting up parallel organizations. The full potential of this policy has not been realized because of continued government security measures and the vigorous anti-Communist opposition within the General Confederation of Greek Workers (GSEE). The Communists have succeeded, however, in gaining the collaboration of the secretary general of the GSEE in a series of critical union elections. In the 13th GSEE congress in October, 11 members of the newly elected 30-man executive council are known to be Communist collaborators.

18. Greek Reaction to Communist Activities: Relations between Greece and the bloc, except for Bulgaria and Albania, are normally cool but correct, in line with the pro-Western orientation of the present gov-

ernment. Soviet support for Greece on the Cyprus issue, combined with Greece's frustration at lack of support from its NATO allies, has led to a revival of Soviet prestige in Greece from the low point it reached at the end of the civil war in 1949. There has been a concomitant decline in Greek estimates of the danger from the Soviet bloc. The present government is willing to expand trade with the USSR but is rejecting Soviet efforts to increase relations in other fields. Since the May election, the Karamanlis government, alarmed at gains in the extreme left, is also actively engaged in a campaign to harass and restrict the activities of EDA and is reviewing socio-economic measures to reduce the attraction of EDA campaign promises in future elections.

19. The Outlook: The bloc will probably continue to follow the main lines of its present policy toward Greece. It is unlikely that the bloc will succeed in inducing Greece to adopt a "neutral, independent" foreign policy in the near future. Greece's strong popular resentment on the Cyprus issue, however, and the resulting psychological disengagement with its allies, may cause a further gradual weakening of Greek ties with the West. The present government is expected to continue to work with the West in countering Soviet bloc diplomatic, economic, and cultural initiatives. The Greek Government can be expected to continue its campaign of harassment against the EDA.

20. Soviet trade with Greece may continue to expand. Bloc willingness to buy commodity surpluses of major Greek products could make important segments of the Greek economy largely dependent on Soviet decisions, although it is unlikely that the over-all Greek economy will become substantially dependent on this trade.

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